AN ASSESSMENT OF THE IMPACT OF FISCAL GAP (DEFICIT) ON DISTRICT CAPITAL INFRASTRUCTURE DEVELOPMENT IN KWAEBIBIREM DISTRICT IN THE EASTERN REGION OF GHANA

BY

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DECLARATION

I hereby declare that this thesis is my own original work towards the award of Master of Science in Economics and that, to the best of my knowledge, it contains no material published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgement has been in my work.

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ABSTRACT

The MMDAs in Ghana are mandated to implement development-oriented projects to improve the standard of living in their jurisdiction. Therefore, the Assemblies need the adequate funding to carry out the implementation of development projects in the local levels in Ghana. However, the fiscal funding sources of the Assemblies fall short of the required amount. The research sought to assess the impact of the fiscal funding gap on the district capital infrastructure development in the Kwaebibirem District in the Eastern Region of Ghana. The causal research approach was used since the objective is to test hypothesis about cause-and-effect relationship using survey methods such as literature and experience surveys. The research objectives: identify the time profiles of fiscal funding sources, find the causes of fiscal funding gaps, conduct the regression analysis of the impact of fiscal funding gap on district capital infrastructure development and assess the strategies of addressing fiscal funding gaps in the district. A sample size of 200 was selected from the 737 study population.

Simple random and purposive sampling techniques were used to select respondents. Secondary and primary data were obtained from survey and documentation. The questionnaires and formats were used to collect data, analyzed by the use of SSPS, Eviews, and presented in the graphical forms. The study revealed four major fiscal funding sources, huge gaps and the causes include poor financial management, revenue leakages and poor budget estimates etc. The research revealed no significance impact of fiscal gap on district capital infrastructure development. The study disclose that the prefinance of capital expenditure increase the debt burden of the Assembly. The strategies to bridge the fiscal funding gap include introduction of innovation grant, public private partnership arrangement and access to financial markets.

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DEDICATION

Further, this thesis is dedicated to my parents, Mr. and Mrs. Asaah who are the gene of my existence and same time spent their valuable time to educate me. Not to forget my wife, Philomena Adingo and my little Son, Charles Birikine Asaah and daughter, Maria Amalusum Asaah for their sustainable spirit of encouragement.

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ACRONYMS (ABBREVIATIONS)

KbDA	Kwaebibirem District Assembly
CAGD	Controller and Accountant General Department
CIDA	Canadian International Development Agency
DAs	District Assemblies
DACF	District Assemblies' Common Fund
DDF	District Development Facility
FAA	Financial Administration Act
FAD	Financial Administration Decree
FOAT	Functional and Organizational Assessment Tool
GDP	Gross Domestic Product
GOG	Government of Ghana
GPRS	Ghana Poverty Reduction Strategy
GSGDA	Ghana Shared Growth and Development Agenda
IGF	Internally Generated Fund
IGR	Internally Generated Revenue
ISODEC	Integrated Social Development Centre
KNUST	Kwame Nkrumah University of Science and Technology
LG	Local Government
LI	Legislative Instrument
MDAs	Ministries, Department and Agencies
MLGRD	Ministry of Local Government and Rural Development
MMDAs	Metropolitan, Municipal and District Assemblies
E-SPV	Electronic Salary Payment Voucher
GIFMIS	Ghana Integrated Financial Management Information System

HRMIS	Human Resource Management Information System

CHAPTER ONE

INTRODUCTION

1.1 Background to the Research

Fiscal decentralization has resulted in a greater role for local government in the delivery of infrastructure in many economies, including Ghana. Decentralized functions and responsibilities are not yet fully met by accompanying transfers of financial resources, leading to a situation where implementation of District Development plans is sometimes partial and unsystematic (Osae, 2009). Annual Budget Statement, (2015) revealed that total revenue and grants for the first three quarters of 2014 amounted to GH₵17,670.2 million, equivalent to 15.4 percent of GDP, against a target of GH¢18,414.1million, equivalent to 16.0 percent of GDP. Several governments in developing countries adopted fiscal measures to address the worsening fiscal performance and rising debt levels to accelerate development.

However, financial resources to the MMDAs remain a challenge and inadequate to cater for the development needs of the people (NDPC, 2015).The increasing demands for local infrastructure investment with increasing vertical and horizontal funding gaps threaten local level development in Ghana. The variance between the annual budget estimates and actual amount of funds realized for district capital investment, the growth engine of local development in Ghana posed a challenge. The persistent widen fiscal gaps in the MMDAs in Ghana of which Kwaebibirem District is no exception calls for investigation.

1.2 Problem statement

The District capital infrastructure development of the MMDAs depends on the effective fiscal management in Ghana**.** District capital infrastructure development is important in stimulating local economy and rolling out services to poor communities. The constraints on the funding of District capital expenditure have caused limited positive socio-economic impacts. Fiscal performance in MMDAs tends to worsen from its main sources for funding capital infrastructure development in Ghana. The budget deficit of 10.1% and 8.8% in 2013 and 2014 respectively in Ghana (Budget Statement, 2015). The current quantum of infrastructure grants to local government does not cover the difference between the current capital expenditure needs of local government and own revenue sources. The combination of own revenue contributions, municipal borrowing and grants is insufficient to fund local government infrastructure needs. (South African Financial and Fiscal Commission, 2013)

The underfunding of district capital expenditure poses a risk to social and economic wellbeing of local economies. McKinsey Global Institute (2013) estimates an infrastructure financing gap S$57-trillion between now and 2030, given the projected global GDP growth rates in developing economies The expenditure need and demand from local communities outweighs the local revenues generated which call the central government and donor grants transfers to bridge funding gap. To what extent does fiscal funding gap or deficit have on the capital infrastructure development in the district? It is against this background the researcher set to assess the impact of fiscal gap on District capital development in order to recommend solution for bridging the fiscal gap in district in Ghana.

1.3 Objectives of the research

This research seeks to assess the impact of fiscal deficit on district capital infrastructure development. The following specific objectives were identified:

- To identify the time profiles of funding sources of Kwaebibirem District
- To investigate the causes of gaps/deficit in funding sources for capital infrastructure in Kwaebibirem District
- To analysis the impact of fiscal funding gap on district capital infrastructure development in Kwaebibirem District
- To assess the strategies adopted by Kwaebibirem District to address the funding gaps in District Capital Infrastructure development over the past 7 years

1.4 Research Questions

- What are the time profiles of the funding sources of Kwaebibirem District?
- What are the causes of fiscal deficit/gaps in funding sources for Capital infrastructure development in Kwaebibirem District?
- What is the impact of fiscal funding gap on district capital infrastructure development in Kwaebibirem District?
- What are the strategies adopted by Kwaebibirem District to address district capital infrastructure improvement?

1.5 Significance of the research

This study is an academic exercise however, the findings will go beyond the boundaries of academic purposes. The study is envisaged to add to the existing literature on the subject matter and thus, contribute to the reservoir of knowledge which will serve as useful reference in academia, MMDAs and the Donor Community.

It has been observed that literature exists on funding sources and district capital infrastructure development in Ghana. However, there do not seem to be any study on this topic in the district. The study therefore will address this knowledge gap and thus provide local information on the subject to all stakeholders. In particular, the research will provide useful information for the Kwaebibirem District Assembly in its efforts at carrying out district capital development. Stakeholders interested in funding district capital infrastructure development at the MMDAs may benefit from the findings and recommendations of the study. The research also clarified causes, effects and strategies of addressing fiscal gaps to improve district capital infrastructure development under the broader framework of fiscal decentralization in Ghana.

The results of the study will guide policy makers, Central Government, Donors, NGOs and Development partners in the design of appropriate interventions to improve fiscal decentralization in MMDAs for good governance in Ghana.

The study is also expected to contribute to the understanding of the role of funding sources in capital infrastructure development, fiscal capacity of the District, management, and thus the overall development process.

1.6 Scope of the Research

The revenue officers, taxpayers and management members in the study were chosen from those that are directly and indirectly linked to the fiscal performance management in the district. In terms of time space, the study was carried out on data of the past 7 years since 2008 up to 2014 along field data to validate the findings. The impact of fiscal gap on district capital infrastructure development was analysed.

1.7 Limitation of the Research

There was inadequate information on the funding sources in the district. The study was based on time series data for the past 7 years. The revenue and expenditure data which are monthly, quarterly and yearly accumulation created data gap problem for the researcher. The researcher cross examine the data with the various departments to address the data gap in the existing data. The primary information was also gathered to fill data gaps. There might be few data gaps that need further clarity.

The District Assemblies revenue and expenditure figures are the end of year totals which included arrears from the previous year. The limitation was addressed by disaggregating the data into the various months to avoid inclusion of the previous funding and disbursement. However, human weakness may cause error of commission and omission, there was further cross examination of the data for rectification.

The personal interview guide was adopted to solicit information from ratepayers, revenue, District Assembly's Common Fund (DACF) and grant officials was time consuming and the possibility that personal bias may be introduced into the survey cannot be ruled out. However, the interview was introduced to bracket off the values judgment and weaknesses such that the findings would be credible enough to make a valid conclusion.

There was poor stakeholders' cooperation during data collection. The research was carried out in one of the sensitive sectors of the District Assembly, co-operation in the provision of the necessary information was not smooth. There was the sense of fear of on the part of rate payers, rate collectors, DACF, grant and revenue officials to openly disclose information. An effort was made through triangulation to minimize these gaps.

There might be also the problem of the degree of freedom in the regression result due to small sample size as a result of limited availability of data.

1.8 Organization of the Thesis

Preliminary pages covered title page, certification, abstract, table of contents, list of tables, figures and abbreviations as well as acknowledgement.

The research was organized into five main chapters. The first chapter presents the background to the research, problem statement, research objectives, research questions, research significance, scope of the research, definition of concepts, limitations of the research and organization of the study. The second chapter covers review of literature on fiscal decentralization, legal framework for local government finance, District Assembly's financial resources and Conceptual framework. The third chapter looks at the research methodology which centred on the model, research design, population, sampling and sampling procedure, research instruments, pre-testing of instruments, data collection procedure and analysis plan. Chapter four dwells on discussion and analysis of findings, while chapter five provides conclusions and policy recommendations to the study.

In addition to the preliminary pages and the main chapters to the thesis. The back pages were also included. These were the references and appendices.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Review of Literature was carried out on decentralization, fiscal decentralization in

Ghana, MMDAs in Ghana, legal framework for local Government Finance, Central Government, Transfers, International Transfer Grants, District Assembly's Financial Resources, fiscal gaps in MMDAs, causes of fiscal gap, fiscal performance of MMDAs, effects of fiscal gap, strategies of addressing fiscal gap, District capital development, debts of MMDAs, financial resources mobilization strategies and conceptual framework.

2.2 Definition of Concepts

Internally Generated Fund comprises own revenues from tax and non-tax sources such as rent, rates, fees and fines, lands, licenses, miscellaneous and investments sources

Government of Ghana (GOG) transfer which includes stool lands, mineral royalties, some decentralized department budget allocations (for example, Department. of Social Development, Department of Agriculture. etc.), Salaries of workers etc.

Intergovernmental Transfers is the Recurrent Expenditure Transfers, District Assembly Common Fund, District Development facility and Ceded revenue etc

Donor Grant is the transfer of funds from Donor Grants for specific projects. And capacity building programmes

District Debt stands for District debt such as payment arrears both capital and recurrent.

Capital Expenditure is the Capital Expenditure such as investment in education, health, sanitation, water, culverts, administration, markets etc.

Recurrent Expenditure stands for Recurrent Expenditure which includes personal emoluments, salaries and pensions, operational and maintenance and repairs expenditure.

2.2.1 Decentralization

The concept of decentralization does not lend itself to a single and generally acceptable definition. As a result, it tends to be elusive and its application as a development strategy as always varied from one state to another. Decentralization is a development strategy where the transfer of political power, decision making capacity and resources from central to sub-national levels of government (Walker 2002).

Decentralization policy result into socially equitable pattern of economic, resources mobilization and allocation and poverty reduction in the developing countries (Ikeanyionwo, 2001).Hadingham (2003) supported decentralization policy with the following views: allocative efficiency, information provision, responsiveness, local revenue maximization and accountability. However, he cautions that decentralization is not without risks which include: elite capture, revenue minimization, corruption, weak administrative and management systems, lack of participation and poor human resource base. The way, in which decentralization is considered, it is not safe to neither generalize its successes nor conclude on the extremes. The context in which it is understood should be well nurtured to derive its fundamental benefits.

2.2.2 Decentralization in Ghana

The birth of decentralization and fiscal decentralization has become a development strategy for addressing development challenges. Decentralization took it root from the British establishment of indirect rule in the 1870s. The colonial administration rule the people of the Gold Coast indirectly through the chiefs and elders by given them power to perform local government functions (Crawford, 2004).

Decentralization policy in Ghana is the foundation for the new local government system which is premised on the assumption that development should response to people's problems, goals, objectives and priorities and it is the share responsibility between central government, local governments, non-governmental organization and the ultimate beneficiaries of development.

TheLocalGovernmentAct,1993(Act462) provides for the transfer of 86 statutory functions of state to local government bodies with jurisdiction over geographical areas in supported of section 240 (1) of the 1992 Constitution of Ghana made decentralization mandatory and provided the platform for decentralized local governance. Decentralization is currently the fashionable system of government in Ghana but much priority on devolution. Ayee (1992) iterates that Ghana's approach to decentralization appears to place much emphasis on devolution, which involves the transfer of power to Metropolitan, Municipal and District Assemblies (MMDAs),and given the absolute autonomy and associated responsibility to determine the level of services required, the best methods to ensure their provision and the sources and type of funds to finance such services efficiently and make them more effective.

Decentralization brings government closer to the governed and helps to improve public administration by empowering local authorities to be the planning and decision-making bodies and thereby enhancing the capacity of government to achieve local participation. It has therefore played a major role in the formulation of economic, development and governance strategies in developing and transitional economies (Bahl, 1999).

2.2.3 Fiscal Decentralization

Fiscal decentralization can be traced to the 17Th and 18Th century Philosophers such as Rousseau, Mill, de Tocqueville, Montesquieu and Madison(Kee, 2003) which means the ceding expenditure and revenue mobilization functions by the central government to metropolis, municipal and district assemblies, or subnational and regional government. It comprises the financial aspect of devolution to regional and local government with the decision of spending responsibilities and revenue sources between levels of government and the amount of discretion given to regional and local governments to determine their expenditures and revenue, both in aggregate and detail (Davey,2003).The World Bank Institute (2000) briefing note report on decentralization, outlined different types of fiscal decentralization such as: self- financing or cost recovery; cost-sharing or co-financing, which involve participants contributing to the production of goods and services; local units borrowing; Intergovernmental transfers; expansion of local revenues through property or sale tax or indirect charges; Intergovernmental transfers of general revenue from taxes collected by the central government to local governments for general or specific uses and authorization of municipal borrowing and mobilization of national or local government resources through loans guarantees. Smoke, 2003 held similar view of financial resources mobilization through decentralized system of governance. Tiebout (1956) posited that diversity in public policy is another argument for fiscal decentralization in the sense that it offers citizens a greater choice in public services and tax options when they want to decide on where to settle.

However, Tanzi (1995) raises a number of situations where fiscal decentralization may lead in one way or the other to less than an optimal result such as tax payers in sufficient information or no political power to pressure local policy makers to make resource-efficient decisions; local politicians may be more corrupt than national politicians or at least find themselves in a more corrupting situation; the quality of bureaucracies is likely to be better than local bureaucracies; technological change and increased mobility may reduce the number of services that are truly “local” in nature; local governments often lack good public expenditure management systems to assist them in their tax and budget choices and fiscal decentralization may exacerbate a central government’s ability to deal with “structural fiscal imbalances

Some essentials of a good fiscal decentralization program which such as adequate enabling environment, assignment of an appropriate set of functions to local governments, assignment of appropriate set of local own-source revenues to local governments, the establishment of an adequate intergovernmental fiscal transfer system and the establishment of adequate access to local governments to development capital (Smoke, 2001). Fiscal decentralization is effective means of funding local development. However, making it a generic phenomenon can be dangerous to the system especially developing countries.

2.2.4 MMDAs in Ghana

District Assemblies are responsible for bringing about integration of political, administrative and development support to achieve a more equitable allocation of power, wealth and geographical dispersed development in Ghana. They are human institutions which create a forum at the district level where a team of development agents, representatives of the people and other agencies agree on the development problems of the district and how to combine resources and strategies to solve them. The Assembly is the planning authority in the district responsible for the plans and budgets preparation and mobilizations of local resources to develop local infrastructure and promote productive activities with the help of central government (Local Government Act, 1993, Act, 462).

2.3 Legal Framework for Local Government Finance in Ghana

The legal provision that regulate fiscal decentralization in Ghana Fiscal decentralization are Financial Administration Act 2003, Act 654 which makes the Controller and Accountant General Department offices principal disbursement agency of government in the districts, Financial Memorandum for Municipal and Urban Councils 1961 provides control mechanisms of revenue and expenditure of local government units, Financial Administration Decree 1979, which makes the Ministry of Finance the primary authority for the preparation, publication and control of national budget and Internal Audit Act 2003(Act 658) possible to coordinate, facilitate and provide quality assurance for internal activities in the districts. The rest are Financial Administration Regulations 2004 (LI 1802) is to regulate efficient financial management of state revenue and expenditure of the government and Local Government Act 1993 Act 462) also lays down principles of financing the services of the Assemblies. This means to ensure transparent and accountable financial governance at the MMDAs.

2.4 Fiscal performance variables

Evidence from Sources of Revenue to MMDAs in Ghana

The district fiscal performance variables are Central Government Transfers, International Transfers (Donor-grants), Internally Generated Fund (IGF) and debt burden. These variables are explained in detail as follows.

2.4.1 Central Government Transfers

The district own revenue sources hardly cover local government expenditure responsibilities. There are significant variances in magnitude of revenue generated by districts owing to differences in revenue generating potentials (Osae, 2009). Hence, the need for central government grant transfers to ensure revenue adequacy to cover the fiscal imbalance. Onyach- Olaa (2007) revealed that central government transfers to local governments account for 30 to 37 percent of the national budget and constitute about 95 percent of the local governments' revenue for the purpose of funding public services. In 2004, the total revenue of the districts stood at 1,423 billion cedis (US$158 million) of which 84 percent were transfers from central government or donors (Decentralization Agenda, 2009).

The central government transfers meant to meet national redistribution objectives to offset the fiscal capacity differences among sub-national governments and to encourage local expenditure on goods and services that exhibit positive externalities. In Ghana such central grant transfers meant to support poverty reduction, capital projects and specific sector activities in the districts (Inanga and Osei-Wusu, 2004).

2.4.2 The District Assemblies Common Fund

The District Assemblies' common Fund Act, 2003 (Act 455) backed by article 252 of 1992 Constitution establishment of the fund with 5% (now 7.5%) from budget allocation to be used for execution of capital projects at the district levels. In principle, there is no control on the use of the funds but in practice, statutory guidelines are used which limit the freedom of the District Assemblies' financial autonomy.

The quarterly disbursement of the fund is subject to recommendation of the Common Fund Administrator upon approval. The main factors applied in sharing the fund among districts are equality factor ensures that the assemblies have access to specified fund which involves a straight forward division of a portion of the fund by the total number of district Assemblies, The need factor meant to address the current imbalances in development in health, education, water and road indicators, the responsive factor is also meant to motivate the District Assemblies to generate and collect more revenue, the service pressure factor is to assist in improving existing services while the reserve factor is an outright deduction before the formula is applied the reserve factor is an outright deduction before the formula is applied to cater for Members of Parliament Development Fund and Regional Co-ordinating Councils for monitoring of districts (Fynn, 2011).

2.4.3 District Development Facility

As part of the measure to address the fiscal shortfall and performance in the decentralized units. The government of Ghana with the support of development partners has introduced a performance grant called the District Development Fund.

Under this arrangement government will make additional funds accessible to MMDAs to promote local infrastructure development. The availability of this fund is contingent upon graded performance assessment under the Functional and Organizational Assessment Tool (FOAT) (MLGRDE-Operational Manual for DDF, 2008).

This is a donor pooled grant for capacity and infrastructure development at the MMDAs. According to DDF manual, MMDAs receive funds each year based on an assessment criterion. The good thing about DDF is that it provides directional funds to the District Assemblies with virtually no restrictions on the use of the DDF fund. The fund is not tied with specific conditionalities but is rather to help implement development targets under the MTDFs, the Annual Action Plans and Budgets, and to promote budget autonomy at the district levels. There is no deduction at source from the MMDAs and DDF allocations (MLGRDE-Operational Manual for DDF,2008).

Under the system, good performance on the basis of FOAT was rewarded with additional funds while weak performance was ameliorated with a well-tailed capacity building support. This kind of funding strategy motivates MMDAs to comply with regulatory guidelines and go the extra mile to achieve result for better grading and financial compensations.

2.4.4 Recurrent Expenditure Transfers

The central government has taken the responsibilities for salaries and pensions of workers who fall within the approved manpower ceiling of the assemblies. The operational and administrative expenditures of the Assemblies also cater for by the central government annual budget allocation (Kwaebibirem District Assembly Annual Financial Report, 2014).

2.4.5 Specialized Transfers

Central Government transferred revenue from Road Fund, GetFund, etc to MMDAs to finance projects. These funds are to complement the IGF and DACF in financing recurrent and capital expenditures.

2.4.6 Internally Generated Fund in MMDAs

The internally generated fund is the revenue from district own sources for execution of capital and recurrent expenditures. The financial provisions for Ghana's local government system are contained in The Article 245 and 252 of the constitution and Section 34 part II of the Local Government Act (1993) empowers the Assemblies to raise internal revenue to fund local development projects. The Assemblies have absolute control over collection and usage. The District Assemblies have absolute control over its usage as well as the areas to be used of internally generated fund which consists of rent, fees and fines, investments, licenses, lands, miscellaneous and rates. These sources are grouped into tax and non-tax, the tax revenue are compulsory payments and tax chargeable on incomes of self-employed persons, businesses and properties while non-tax are voluntary payments or contributions paid by specific beneficiaries of services. The pool of district financial resources in many developing countries comes from several sources (Kroes, 2008).

The criteria for effective of mobilization of revenue include adequate identification of the revenue sources capable of yielding substantial revenues because small revenue sources are expensive in terms of expenditure on collection, elasticity of revenue sources capable of yielding additional revenues to meet increasing service demands, equity in terms of the ratepayers ability to pay the prevailing rate, the administrative capacity such as costs, effort and time involved in the administrating the revenue source should not be more than the revenue the revenues collected, political acceptability of unpopular revenue sources and economic impact of some taxes, charges or fees should not negatively affect the propensity of ratepayers to work, save, consume or invest (Local Government Act 1993, Act 462).

2.4.7 Revenue Performance and Measurement

The performance of countries depends on their fiscal position. Financial performance is concerned with the financial results of the operations of the organization including in come and expenditures, assets and liabilities, cash flow and financial ratios. It is important to adapt performance measurement indexes to evaluate sound financial performance of MMDAs. The benefits of evaluating financial performance are to know the performance level of a public agency, to enable public managers to ensure their subordinates do the right thing, to motivate for better results, to enable organizations communicate their accomplishments to stakeholders, to advertise the good performance an organization, to learn to improve on current states (Behn, 2003). There should be rules and guidance for effective fiscal performance evaluation to yield result. According to Kopits and Symansky (1998) a fiscal rule is ‘a permanent constraint on fiscal policy, expressed in terms of a summary indicator of fiscal performance, such as the government budget deficit, borrowing, debt or a major component thereof’ through simple numerical limits on budgetary aggregates. Fiscal rules are mainly mechanisms of correcting coordination failures inherent in the budget decision-making process**.** Gill (2003) has identified some of the important revenue performance indicators such as total revenue against GDP which is used for countries with similar economic and tax structure and gives relative effectiveness of the revenue administration; actual revenue against estimated revenue which does not address coverage in terms of potential taxpayers but commonly used in Ghana and most developing nations; revenue gap that measures the difference between potential and revenue actually collected. With reliable data it may indicate revenue loss due to noncompliance and tax evasion

The prospects of MMDAs depend on their ability to generate and mobilize revenue internally and externally to fund recurrent and capital expenditures. The capacity, legal framework, and incentives that govern revenue generations determine the extent of local governments ‘fiscal autonomy in the prevailing fiscal arrangement in Ghana. The more revenues, District Assemblies can generate, the more power and autonomy they will have, independent from the central government fiscal control (Decentralization Agenda, 2009). DMTDP (2014) revealed that the external sources of revenue outwit the internally generated in which land, fines and fees contribute most, revenue performance improves in nominal terms and capital expenditure have major share of total revenue in the district.

The fiscal performance measurement aid in the study of trends and progress over a number of years, to compare with national and other organizations performance, to point the way towards necessary improvement and reveal growth potential areas.

2.5 Fiscal Gaps (Deficit)

The fiscal deficits have remained a challenge in developing countries. It is the difference between the present value of all of government's projected financial obligations, including future expenditures, including servicing outstanding official debt, and the present value of all projected future tax and other receipts, including income accruing from the government's current ownership of financial assets. The revenue and expenditure estimates, the 2014 budget resulted into an overall budget deficit of GH¢8.8 billion, equivalent to 6.5 percent of GDP. Budget Statement (2015) discloses a gap on both revenue and expenditure estimates and actual budget realized. The short fall in revenue was lower than the shortfall in expenditure resulted into in a fiscal deficit of GH₵6,768.30 million, equivalent to 5.9 percent of GDP (cash basis) against a deficit target of GH₵7,363.8 million, equivalent to 6.4 percent of GDP. The total revenue and expenditure in the Kwaebibirem District Assembly shows a deficit of GH¢392,465.13 in 2011 fiscal year.

The reduction of fiscal deficit depends on the proactive fiscal measures which target at reducing the budget deficit to lower levels, thereby, restoring and sustaining fiscal and macroeconomic stability. To achieve this, a fiscal adjustment policy was embarked on and this resulted in the reduction of the budget deficit (on cash basis) from 6.6% in 2008 to 5.8% in 2009 and further down to 4.4% in 2011 (GSGDA II, 2014). Otherwise, the reactive policy damage the spine of government confines the fiscal indicators in the developing countries.

2.5.1 Fiscal Deficit Challenges

The fiscal challenges are multifaceted in nature stream from budgetary to politicoinstitutional factors with it intended debt and deficit conditions. According to GSGDA II , 2014-2017 revealed that the fiscal policy implementation suffered some setbacks in 2012, which resulted in the widening of the fiscal deficit to 11.8A perennial characteristic of Ghana's fiscal situation is the high deficits which have since 1992 become cyclical and tend to worsen in election years. Major sources of the fiscal deficits over the years are the intractability of the public sector wage bill, interest payments, and unplanned expenditures. In addition to this is the tendency to accumulate arrears with further debt built-up.

According to DMTDP (2014) the fiscal challenges in the district includes poor financial management practices, low internally generated revenue, leakages in financial resources mobilization and delay in the release of external funds. This weakened district financial autonomy and impedes successful execution of district development projects and programmes.

2.6 Public Debt

The public debt in Ghana is not different from many developing countries. According to Ghana Budget Statement (2015), the public debt as at June, 2013 recorded a marginal increase of about 5.43% from the end of 2012. This is consistent with the increasing trend observed in the public debt between 2009 and 2012. Locally, the debt of 90% recorded through prefinancing of capital projects in the Kwaebibirem District (Medium-Term Development Plan, 2014). The drive for the implementation of capital projects locally and nationally resulted into increase debt burden.

2.7 District Capital Development

Fiscal decentralization has resulted in a greater role for local government in the delivery of infrastructure in many economies, including Ghana. The use of these instruments by local governments varies across countries and is largely driven by the decentralization policies of the particular country. District capital development is the type of investment on infrastructural development in economic, social, environment and administration such as education facilities, health facilities, markets, roads and culverts, water and sanitation facilities etc. Infrastructure development by subnational or local governments manifest through capital expenditure, which is expenditure made to purchase, construct or replace a fixed asset that is a nonrecurring project or facility expected to provide services for more than a year (Faas et al. 1982). The district capital development covers four major areas such as economic infrastructure comprises markets, stores, sheds, tolls, culverts, roads; social infrastructure centres on schools, health facilities, staff and nurses quarters, libraries while administrative infrastructure are for the construction of office and residential accommodations, office equipment, police stations and environment consists of provision of toilet facilities refuse containers and vehicles etc. Generally, the major capital financing instruments available to local governments for capital expenditure are: (i) district taxes and tariffs; (ii) intergovernmental fiscal transfers; and (iii) district borrowing. GSGDA II (2014) revealed that expenditures have persistently outstripped revenue performance leading to the widening of the budget deficits. The major source of the expenditure over-runs is the recurrent budget, especially wages and interest payments, while capital expenditures have relatively stagnated at about 7% over the past seven years.

2.8 Previous Studies and how the gap can be addressed in this research

The fiscal gaps at a district level and concerns around the sustainability of district own revenue contributions towards capital expenditure have been explored worldwide by many researchers. Jugal etal (2015) concluded that the municipal revenue sources for capital expenditure are under stress, because of poor economic climate with limited ability to generate surpluses from user charges to reinvest in capital expenditure.

Fiscal policy can “crowd out” private investment when a deterioration of the fiscal balance reduces public saving, pushes up interest rates, and thus reduces private investment (Andrew e tal, 2009). Mirza (2007) estimates the financial gap on both new and existing infrastructure investment backlogs to be US$123-billion for Canadian municipalities. Municipal funding constraints are among the causes of fiscal gaps and capital financing pressures. Alam (2010) supported Mirza with an estimation of a US$250 billion capital financing gap per annum for Asian municipalities. Ernesto e tal, 1998 revealed that electoral institutions and budgetary procedures is the significant determinant of fiscal performance in Latin America. The findings of the causes by Banerji et al. (2013) looked at the deteriorated performance standards of the municipal bonds markets and the constraints preventing Indian local government’s full realization of own revenue generation potential. Insufficiency of the available IGF sources for ever increasing expenditure demand, high cost of raising IGF and inadequate organizational structure impede capital infrastructure development in the district of Ghana (Maeregu, 2011)

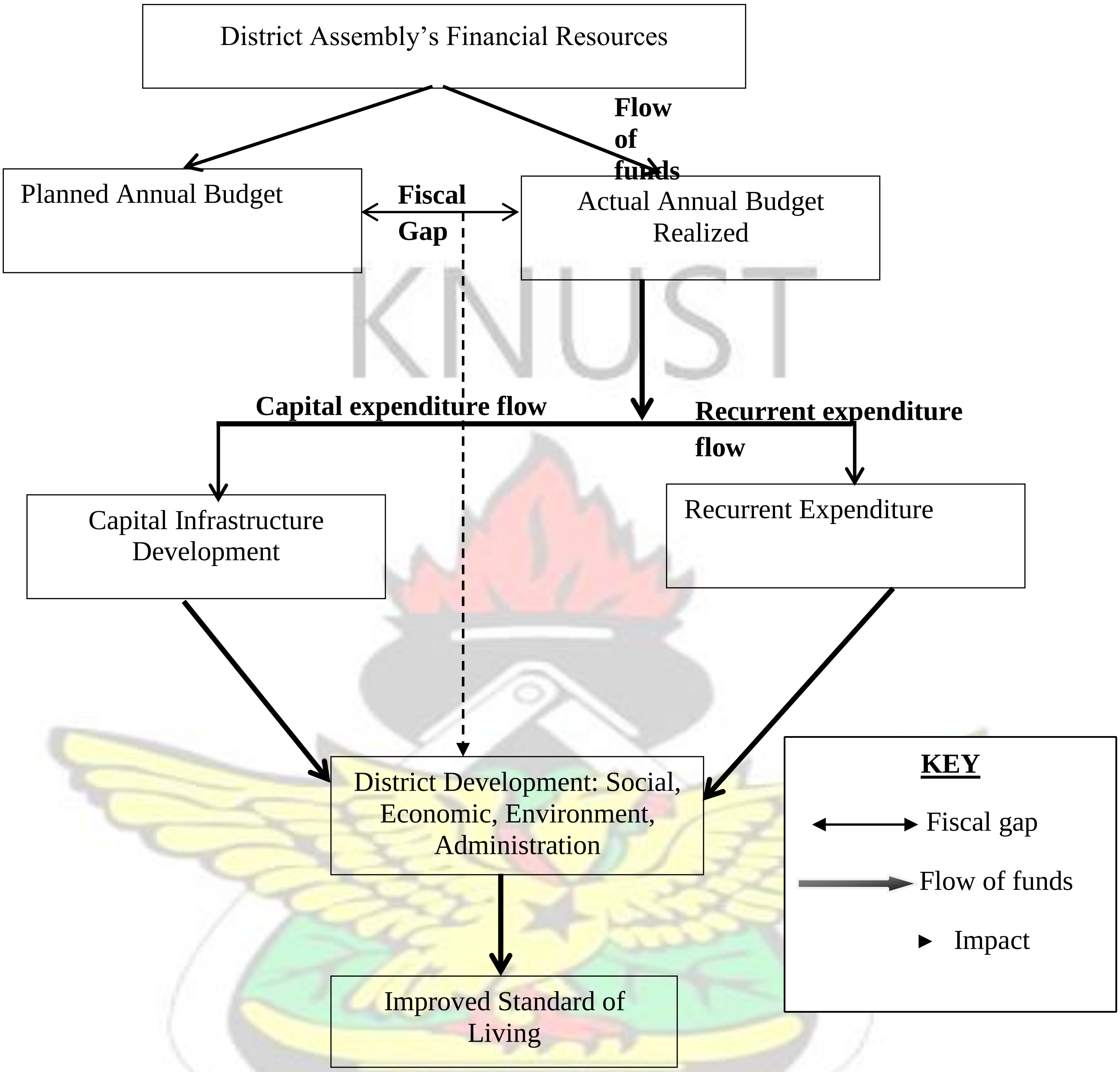
The previous studies were centred on fiscal policy, gap and its causes in national and international scope but silence on the impact on capital infrastructure development in the district. Again, there is no adequate research carry out on the subject in the Kwaebibirem district. The study therefore seeks to address the myth of the impact of fiscal gap on capital infrastructure to proffer policy direction on fiscal decentralization in Ghana.

2.9 Conceptual framework

Literature review on fiscal decentralizations in Ghana shows that districts played vital roles in promoting local development. The major sources of funding for district capital development are Internally Generated Funds (IGF), Government Transfers Grants (GTG), Donor Grants (DG) and other financial arrangements in the form of community contribution, borrowing etc. These financial resources are channeled to funding the capital and recurrent expenditures go to district economy. The research set to assess the impact of fiscal gap on district development in the Kwaebibirem

District as the figure 2.1 has depicted the flow of financial resources into the district through the Finance Department to funding district capital development such as social development (education, health, etc), investment in financial assets, economic development (Agriculture, road infrastructure), Environmental development (water, sanitation) and governance development (administration, acquisition of vehicles).

Figure 2.1: Conceptual framework showing the impact of fiscal gap (deficit) on district capital infrastructure development.



Source: Framed from Finance Department Data, September, 2015

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The chapter covers the methodology of the research which includes the research design, study population, sampling and sample size, sources of research data, data collection instruments, pre-testing of instruments, data collection techniques and processing as well as data analysis and presentation. The regression model applied to analysis the impact of fiscal funding gap on district capital infrastructure development.

3.1 Background of the Study Area

The research covers the Kwaebibirem District which is one of the 26 administrative districts, with Kade as its capital .in the Eastern Region of Ghana.in the Eastern Region of Ghana, The district has a land area of about 1230 square kilometres which was carve out of the West Akyem District by Legislative Instrument (L.I) 1425 in
1988 and again separated from Denkyembour District by Legislative Instrument (L.I) 2043 in 2012).

Kwaebibirem District Medium-Term Development Plan, 2014 has summarized the basic characteristics of district. The district shares boundaries with West Akim Municipality to the north, Birim North and Akyemansa Districts to the West, Denkyembour District to the south and Atiwa District to the East. The linkage of the district capital to other major towns promotes local economic development. According to 2010 Population and Housing Census, the current population is 113,721 with 49% and 51% living in the urban and rural areas respectively. The district economy is dominated by agriculture, trade and commerce, industry and services.

Output of the sector is low because farmers used rudimentary methods of production coupled with depleting soil fertility. Trading is mainly concentrated in hardware, provisions, textiles and general goods. The common scene is the large number of hawkers on the streets, erection of kiosks and numerous"table top" activities. These activities are predominant in urban centres like Kade, Kwae, Nkwantanan and in fact the environment in which they operate leaves much to be desire((Kwaebibirem District Medium Term Development Plan,2014).

The Kwaebibirem District was chosen to carry out the research because of its strategic location with brisk economic activities, with several mineral deposits and palm plantation. Yet the Assembly was not able to achieve the funding targets set for the past 7 years.

3.2 Research Design

This research seeks to assess the impact of fiscal gap on district capital infrastructure development. A casual research approach was used. The causal research approach was used since the objective is to test hypothesis about cause-and-effect relationships. With casual research, survey methods such as literature and experience surveys were used. Casual research is appropriate since the study was carried out in the natural setting where the researcher has little control over events.

3.2 Study Population

The target population of research is 737 which made up of 47 Revenue-Collectors and officials, 614 Rate-payers, 14 DACF officials and IRS, 12 donor grant officials and 21 management members

3.3 Units of Analysis

The units of analysis are the major entity that is being analyzed in the study. The units of analysis in any investigation refer to the actual empirical units, objects and occurrences which must be observed or measured in order to study a particular phenomenon (Kumekpor, 2002), This is because they influence the research design, data collection and data analysis decisions. The units of enquiry in this research were management members, donor and common fund officials, ratepayers and collectors.

3.4 Sampling Techniques and Sample Size

The composition of the fiscal performance management and capital infrastructure development required the use of simple random sampling techniques to select the ratepayers, revenue officials and management members. “Sampling techniques “refer to the processes involved in selecting respondents. The rationale for the employment of this probability sampling method was to give equal chance to individual of the population, lower variance and thus minimize bias in the selection process.

The purposive sampling technique was used to select Revenue collectors and officials of the Kwaebibirem District Assembly, DACF officials from DACF secretariat and Donor grant officials from development partners. Alhassan (2007) states that in purposive sampling technique, the researcher carefully selects the sample to reflect the purpose of the investigation. The reason for using the purposive sampling was to ensure that the views of technical experts who are involved in the fiscal performance management are obtained.

The sample survey has been carried out to validate the secondary sources of data. The different sample size of respondents was determined throughthe random selection of individual sample units such as 137 rate-payers from 614, 25 revenue collectors/officials from 47, 9Donor grant officials from 12, 11 DACF/IRS officials from 14 and 18 core management members from 21. The Sample size of the population was intuitionally determined which was illustrated in table 3.1.

Table 3.1Sample size of different groups of Respondents

Category ofRespondents	Number of Respondents		Sample Frame	Sample	%Coverage of Sample
	Male	Female			
Rate-Payers	321	293	614	137	47.5

Revenue	27	20	47	25	33.5
Collectors/officialsColleDistrict Management	12	9	21	18	9
DACF/IRS Officials	8	6	14	11	5.5
Donor Grant Officials	7	5	12	9	4.5
Total	394	343	737	200	100

Source: Kwaebibirem District Assembly/DACF/Donor Annual Financial Report, 2015

3.5 Sources of the Research Data

In this work, data was obtained from the rate-payers, revenue collectors and officials on the stakeholders' perceptions on causes, effects, challenges and strategies of fiscal gap on district capital development. Data was also obtained from Annual Trial Balances, financial Reports, Annual Composite budget and Revenue Nominal Rolls to determine the fiscal performance on district capital infrastructure development.

3.6 Data Collection Methods, Instruments and Pre-Testing Of Instruments This section covers data collection methods, research instruments and pre-testing of instruments to determine fiscal performance on district capital infrastructure development in the Kwaebibirem District.

3.6.1 Data Collection Methods and instruments

Data collection is the way in which information is collected from the sample population. The survey and interview methods with their appropriate instruments such as questionnaires, and interview guide were used to collect primary data.

The interview guide was used to collect data from the rate-payers through face-to-face and telephone interviews by the researcher. This method helps the interviewer to probe in to critical issues related to the study.

The questionnaires were given to revenue collectors and officials, management members, Donor grant and DACF officials to fill and return to the researcher. There were numerous follow ups on the revenue, grant and DACF officials and management members of the Assembly, both one-on-one bases and through telephone interaction for clarification and in-depth discussions on some of the responses.

Literature survey was carried out on the organization documents such as Annual composite budgets, quarterly and annual Trial Balances and Financial reports to analysis the fiscal performance to complement the primary data.

The different sources of information were to verify the accuracy and reliability by combining multiple data collection techniques, the researcher was able to overcome the biases that come from the use of a single data collecting technique.

Majority of the questions made up of open-ended items where respondents were requested to provide brief answers to questions. A few closed items were provided with alternatives to choose from.

3.6.2 Pre-Testing Of the Instruments

Prior to the interview guide and questionnaire administration, the instruments was pre-tested in the Kwaebibirem District and modified, after necessary adjustments were made on them to ensure their validity. Samples of the questionnaire and interview guide were submitted to the supervisor and colleagues for their comments and the necessary corrections. This was to check whether the instruments designed are consistent and can answer the research questions adequately.

3.7 Data Processing, Analysis and Presentation

This section captures three major areas of the research findings. It includes data processing, analysis and presentation as discussed below:

3.7.1 Data Processing

Data was collected from primary and secondary sources and processed for analysis. The data collected from the field was edited, coded, categorized and entered according to themes to make meaning fully for analysis. Editing and coding were done to ensure accurate and comprehensive analysis of responses of respondents based on the research objectives, the research questions and the themes used under the literature review section which can be described as units of analysis.

3.7.2 Data Presentation

The data was summarily presented in tabular and graphical forms such as frequency tables, percentages, pie charts, line graph, and bar charts for their interpretations to reflect the real world examples.

3.7.3 Data Analysis

In order to ensure simple and comprehension, the data was analyzed using arithmetic mean, percentages, indexes and standard deviations the arithmetic mean was used to explain the average percentage growth of IGF and performance to total revenue.

Regression analysis between IGF and Total actual Expenditure. The contribution of IGF to the total revenue and then to the total expenditure of the district budget was analyzed using a time series data of the past seven years. While the indexes used to determine the revenue performance, local financial support, autonomy and ability of IGF sources. The Microsoft Excel and Eviews applications were used to analysis both primary and secondary data. The responses of respondents was analyzed and converted to frequencies, percentages and other graphical representations for understanding and easy comparison.

3.8 Model

The researcher used the model to assess the impact of fiscal gaps on district capital infrastructure development. To analysis the impact of fiscal gap on district capital infrastructure development with the dataset spanning 2008 to 2014 using Linear Regression Model as: InDCID $=\beta_0+\beta_1$InDFG + U, $\beta_1 < 0$

Where DCID is the District Capital Infrastructure Development, amount of money spent for the provision of capital infrastructure which measures in terms of hundreds of Ghana cedis. Whilst DFG stand for District fiscal gaps which come from internal and external source of funding District capital infrastructure development. The U stands for the error term that is the unobserved factors that can affect district capital development but they are controlled or not considered in the running of the regression. The linear regression result provides insights into whether or not fiscal gap have impact on district capital infrastructure development in Kwaebibirem District. The a priori sign is negative which means that an increase in fiscal gap reduce district capital infrastructure development. That is there exist a negative relationship between fiscal gap and district capital infrastructure development.

Research Hypothesis:

Fiscal gap has no significance impact on District Capital infrastructure development.

CHAPTER FOUR

DATA PRESENTATION ANALSIS AND DISCUSSION

4.0 Introduction

The chapter dwells on data presentation, analysis and interpretation of research results based on objectives, themes developed and questions asked in the course of the research. As indicated to in the methodology, the analysis was both descriptive and quantitative. In the interpretation therefore, patterns was described, meaning to issues was determined and relationships identified. To make these possible, inferences was made to related literature to give theoretical underpinnings to issues. Besides, quantitative data and basic statistical techniques were used to illustrate results and to substantiate points being made.

Two hundred questionnaires was administered and processed. With this, the results and subsequent analysis was based on the total two hundred (200) respondents.

4.1 Characteristics of Respondents

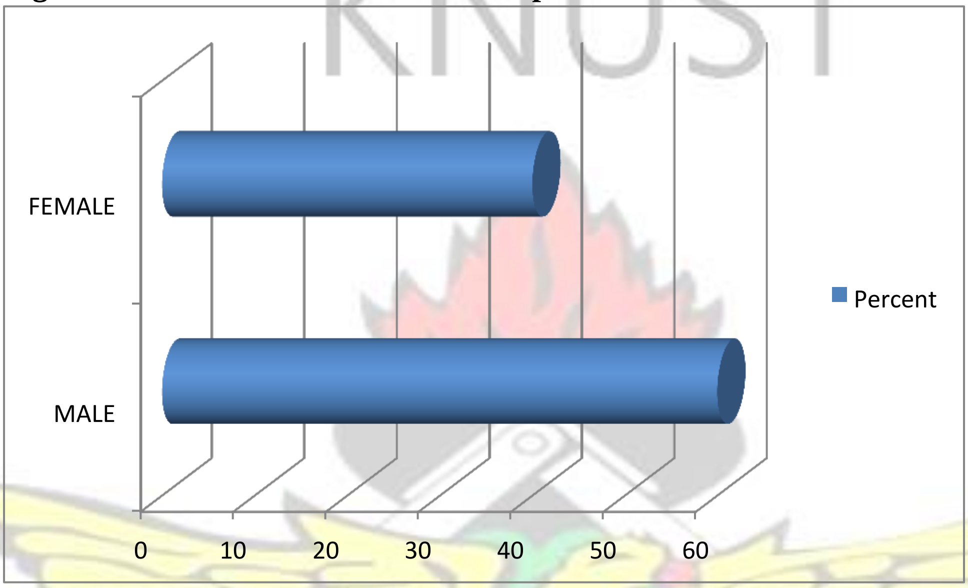
This section focuses on the basic characteristics of respondents who have knowledge on fiscal performance and district capital infrastructure development in the district. These characteristics include: gender, age, education and occupation which have been summarized into statistical tables presented in the figure 4.1.

4.2 Gender Distribution of Respondents

The total number of 200 respondents (consists of 60% males and 40% represented females) was taken from 737 target population. This suggested that men represent the largest composition of the respondents. This suggests that men constitute the largest proportion of the respondents. This gender distribution of respondents might be a reflection of the sample size of males and also justifies in the Kwaebibirem District

Composite Budget, 2015 that majority of the respondents skewed in favour of the men. Table 4.1in appendix 3 shows the summarized composition of the respondents and figure 4.2 depicted the graphical representation of gender composition of respondents. This gender composition makes the finding reliable and devoid of bias.

Figure 4.1: Gender Distribution of Respondents



Source: Field Data, 2015

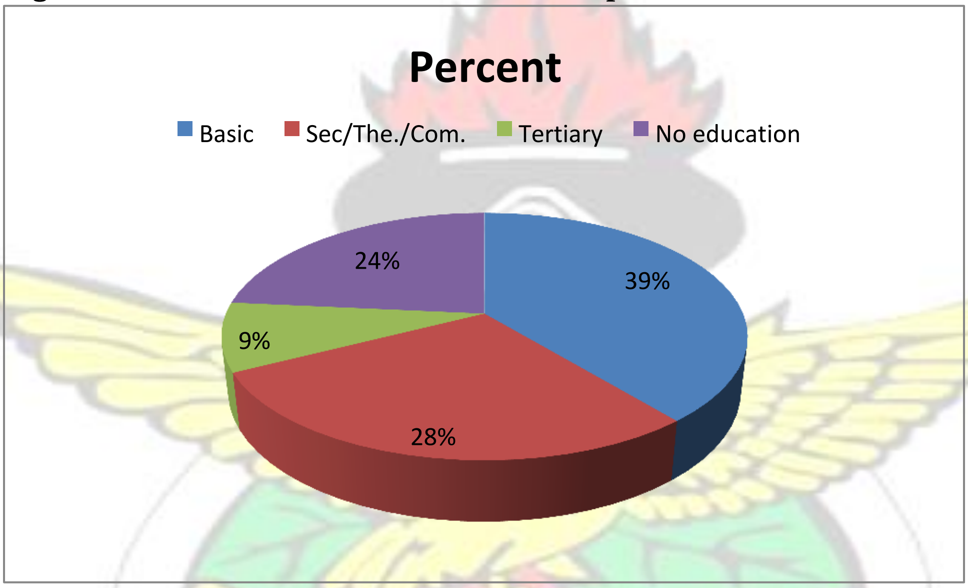
4.3 Age Distribution of Respondents

The table 4.2 in appendix 3 revealed that the average age of the respondents is 44 years. This shown that the respondents were within the active labour force of 40-49 with the knowledge of the subject study which makes the research result reliable and unbiased.

4.1.3 Educational characteristics of respondents

The educational characteristics of the respondents indicates 39%basic education,28.5% secondary or technical or commercial education,9% tertiary education, whilst23.5% have no formal education. The table 4.3 in appendix 3 summarized educational status of respondents. Figure 4.3 illustrtates the educational background of respondents. More than average of the respondents has education which suggests that the respondents have knowledge in the subject to validate the result of the institutional survey result.

Figure 4.2 Educational characteristics of respondents



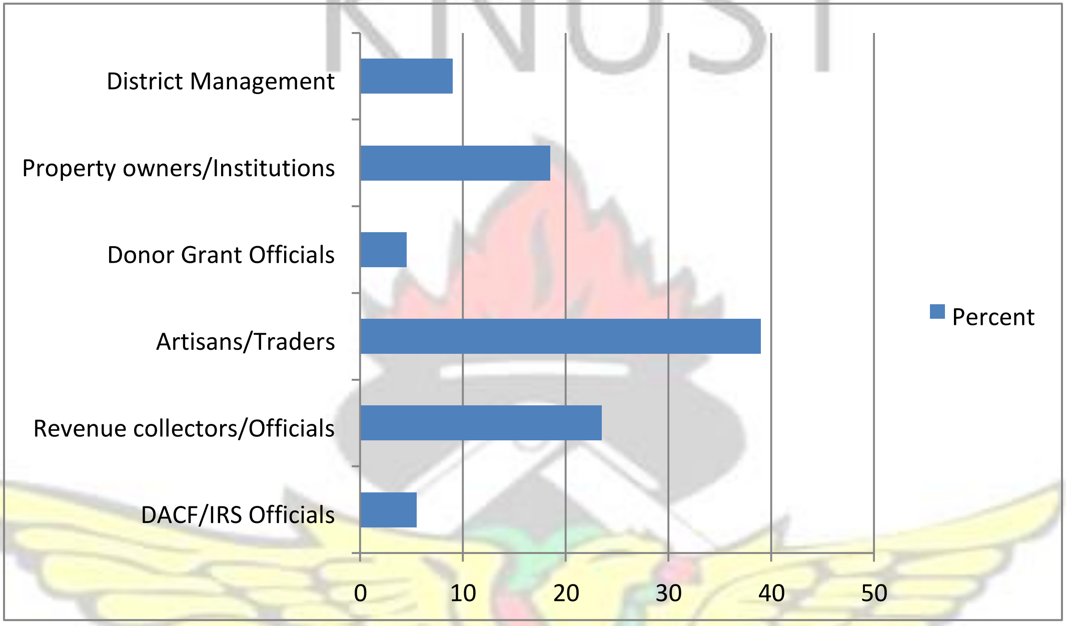
Source: Field Data, 2015

4.1.4 Occupational Characteristics of Respondents

The occupational characteristics of respondents revealed in table 4.4 appendix 3 that the artisans and traders dominated with 39% followed by revenue collectors and officials 23.5%, property owners and institutions 18.5%. The rest are district management 9%, DACF/IRS officials 5.5% with the least being donors grant officials

4.5%. The significant proportion of the respondents' is 115, representing artisans/traders and property owners/institutions 39% and 18.5 respectively. The rest are having a combined percentage less than average of 42.5%.The different compositions of the respondents certify the institutional survey findings.

Figure 4.3: Category of Respondents



Source: Field Survey, 2015

4.2 Background Information on Fiscal Sources

This section analyses the secondary data and views expressed by respondents on the basic background information of revenue and expenditure, profiles of the funding sources, fiscal gaps, causes of fiscal gaps and strategies of addressing funding gaps.

4.3. Time Profiles of the Funding Sources

4.3.1 Fiscal sources analysis

The Assembly has several sources of funding their capital and recurrent expenditure. The funding sources has different pattern of growth for the study period of 7 years. The table 4.5displayed the trend of fiscal performance in the Kwaebibirem District.

With average performance, the DACF took a commanding lead of 42.22% overall, followed by Donor grants of 22.87%, Internally Generated Funds of 22.60% and Government Grant Transfers being the least of 12.29%. However, the DACF out performed it peers with the least being Donor grants from 2008 to 2012, and was over taken by the Donor grants from 2013 to 2014. This was as a result the district qualification of District Development Facility which brought in huge inflow of donor funds for investment and capacity building. The rest lag behind but the Internally Generated Fund performed better than the government grant transfers. The government grant transfers low performance might be overshadowed by the huge transfer of DACF. The encouraging performance of internally generated funds shows that the district has the revenue potentials. The pendulum of oscillation of performance could be addressed with innovative strategies.

From the trial balance statements of Kwaebibirem District Assembly, the Table 4.5summarized the trend of fiscal performance.

Table 4.1: Trends of fiscal performance

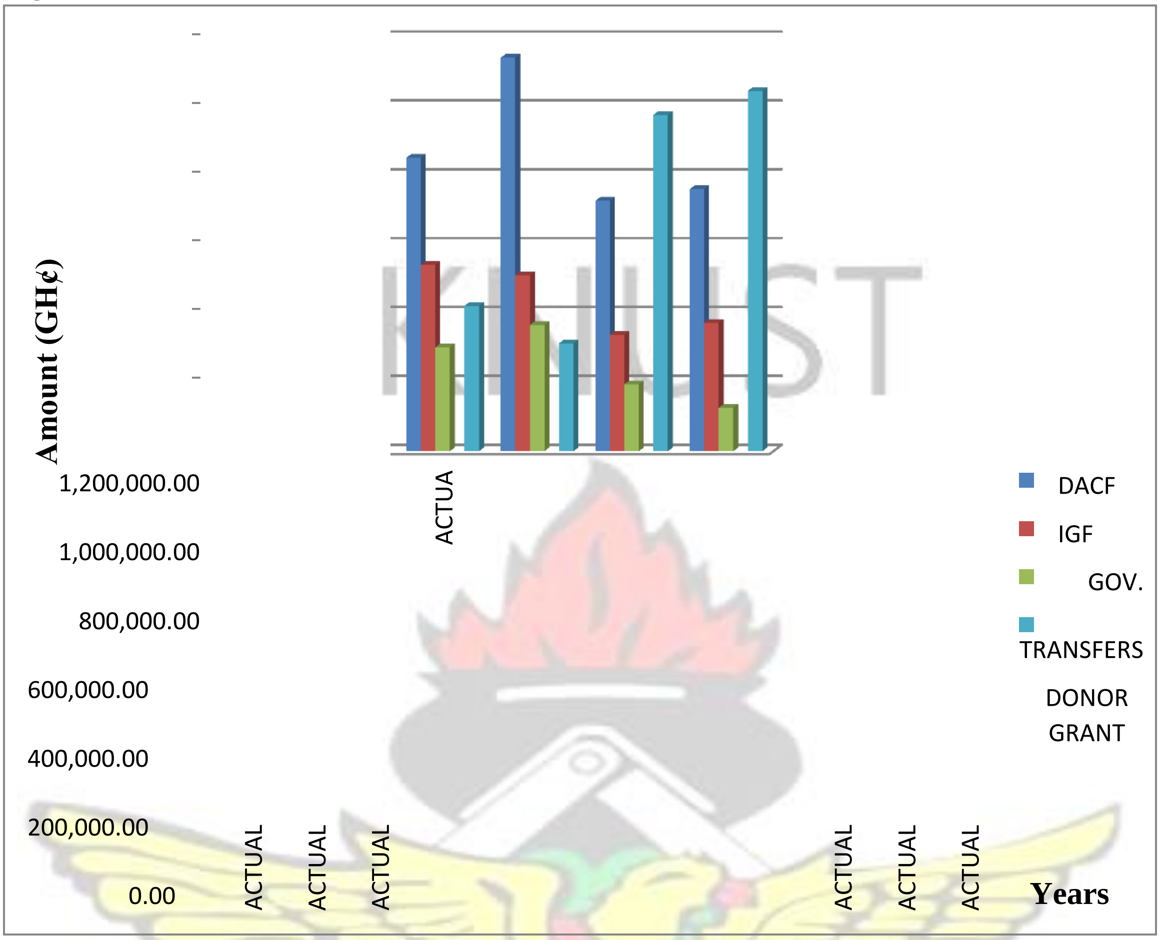
FUNDING SOURCES	2008	2009	2010	2011	2012	2013	2014	TOTAL GH¢	% of Budget realized	RANK
	ACTUAL GH¢	ACTUAL GH¢	ACTUAL GH¢	ACTUAGH¢	ACTUAL GH¢	ACTUAL GH¢	ACTUAL GH¢			
DACF	855,693.65	628,166.29	596,565.83	852,340.03	1,143,198.46	727,165.69	761,282.43	5,564,412.38	42.22	1st
IGF	211,322.13	385,421.72	568,607.87	541,042.55	511,304.88	338,294.35	372,739.40	2,978,732.90	22.60	3rd
GOV. TRANSFERS	159,003.12	187,344.79	285,475.98	302,084.22	366,988.84	194,323.62	126,262.33	1,621,482.90	12.29	4th
DONOR GRANT	99,970.24	85,459.75	69,965.10	422,310.45	313,204.37	976,943.17	1,046,696.14	3,014,549.22	22.87	2nd
TOTAL	1,325,989.14	1,286,392.55	1,520,614.78	2,117,777.25	1,967,707.67	2,236726.83	2,306,981.30	13,179,177.40	100	

Source: Kwaebibirem District Finance Department, 2015

This is to analysis the trends of actual budget realized for the study period and also track the performance among the sources. The figure 4.5 indicates that the DACF started well with GH¢855,693.65 in 2008 having undulating performance reaching its peak in 2012 of GH¢1,143,198.46. It then declined to GH¢727,165.69 in 2013 and rise slightly to GH¢761,282.43 in 2014. The donor grants which started poorly in 2008 with GH¢99,970.24 in 2008being the least performer which maintained that abysmal records until 2012 and took a positive turn of GH¢976,943.17in 2013 and increased sharply to GH¢1,046,696.14 in 2014. The rest are government transfers and internally generated fund which risen little above the donor grants in 2008 with

GH¢159,003.12 and GH¢211,322.13 respectively and maintained similar trend with IGF leading the government transfers for the period of study. However, the fiscal sources of the Kwaebibirem District are increasing in some of the years, they are increasing in decreasing rates which have negative development Implication. The Figure 4.4 shows a graphical representation of the fiscal sources of the district. There is a general increase pattern of growth of the funding sources but fall short of achieving yearly budget estimates for the study period. For the study period of 7 years, the Internally Generated Fund (IGF) is inadequate to cater for capital infrastructure development. The district depends much on Common Fund (CF) and donor grant to bridge the fiscal gap and to implement capital infrastructure development.

Figure 4.4 Trend of fiscal sources



Source: Field Survey, 2015

4.3.2 REVENUE ANALYSIS IN YERARLY BASIS

The District total realized budget is GH¢12,761,589.52 over the 7 years, out of a total planned budget of GH¢20,273,143.85. The 2014 actual budget realized outperformed the rest of the years' realized budgets with an 18.08%. This is followed by 2013 with 17.53%, 16.59% in 2011, and 15.42% in 2012. The rest 2010, 2009 and 2008 in that descending order as indicated in table 4.6. The least performed years are 2008, 2009 and 2010. This was as a result of unpaid arrears in those years which were then paid in 2011 pushing the year performance to third position. The 2014 and 2013 with GH¢2,306,981.30 and GH¢2,236726.83 in Table 4.6 respectively took the first and second positions because of the increase inflow of District Development Facility (DDF) investment and capacity building funds from development partners. The pattern of fiscal performance was increasing with narrow intervals which do not augur well for district capital infrastructure development.

The Table 4.6 shows the summary of planned budget and actual budget realized for the study period.

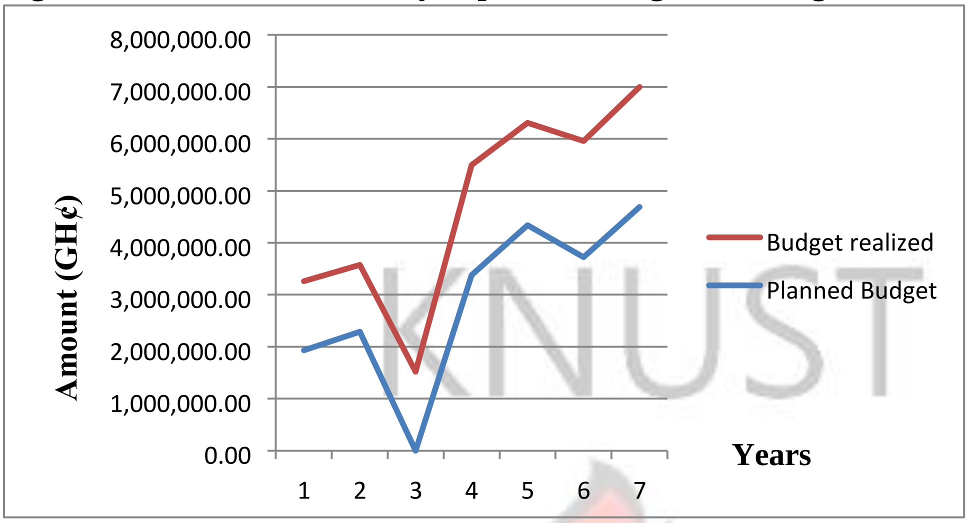
Table 4.2: The Summary of planned budget versus actual budget realized

Year	**Planned Budget** GH¢	**Actual Budget Realized** GH¢	**% of Actual Budget Realized**	**Rank of Actual Budget Realized**
2008	1,933,965.00	1,325,989.14	10.39	6Th
2009	2,291,193.85	1,286,392.55	10.08	7Th
2010	3,267,795.60.	1,520,614.78	11.92	5Th
2011	3,379,842.89	2,117,777.25	16.59	3rd
2012	4,341,112.8	1,967,707.67	15.42	4Th
2013	3,720,211.67	2,236,726.83	17.53	2nd
2014	4,689,022.04	2,306,981.30	18.08	1St
Total	**20,273,143.85**	**12,761,589.52**	**100**	

Source: Field Survey, 2015

The analysis in the table 4.2 is presented in a graphical form in Figure 4.5 for clear comparison between planned budget and actual budget realised. It is clear from the figure that the district realised actual budget is far below the planned budget. This can be attributable to poor budget estimates which is confirmed by the 19% of the respondents in the survey data. The Assembly is courting imbalance development because of soaring fiscal gap, debt rate and capital expenditure for the study period.

Figure 4.5: Shows the summary of planned budget and budget realised



Source: Field Survey, 2015

4.2.3 Expenditure Analysis

4.2.3.1 Annual Approved Budget against Annual Actual Expenditure

The district total planned capital budget is GH¢14,579,673.14 while recurrent expenditure stands at GH¢6,970,176.36 in Table 4.7. The Total actual budget realized for both capital and recurrent expenditures is GH¢9,282,140.94 and GH¢4,971,097.79 respectively. The average planned budget for capital expenditure is GH¢2,082,810.45 more than the recurrent expenditure of GH¢995,739.48. It is clear that as planned capital and recurrent expenditure have a yearly increase with different rates amidst intermittent decrease, capital budget of GH¢3,720,211.67 in 2013 hit upwards adjustment of GH¢4,689,022.04 in 2014. With recurrent expenditure from GH¢430,695.67 maintained a sustain increase to GH¢1,026,036.89 in 2011 and declined to GH¢998,748.80 in 2012 together with GH¢236,310.86 in 2013, reaching a peak in 2014 at GH¢2,823,592.04.This undulating budget estimates might be nonavailability of data or poor budgeting. The Table 4.3 shows approved annual budget disaggregated into capital and recurrent with that of the actual annual expenditure.

Table 4.3: Shows summary of Annual Approved Capital and Recurrent Budget Versus Annual Actual Expenditure

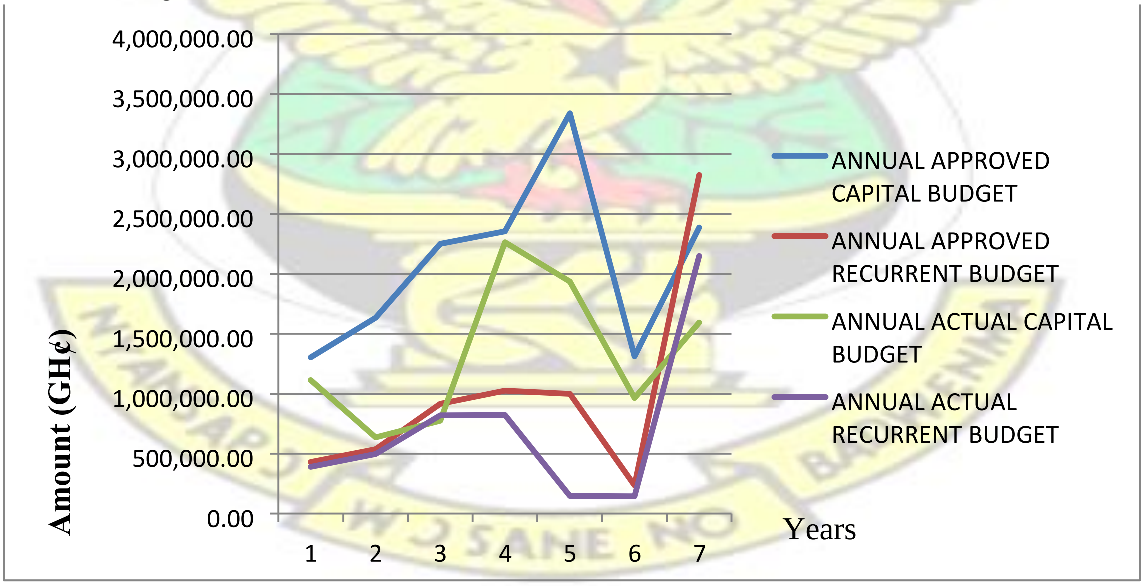
YEAR	ANNUAL APPROVED BUDGET			ANNUAL ACTUAL EXPENDITURE		TOTALANNUAL ACTUAL EXPENDITUREGH¢	% OF ACTUAL EXPENDITURE	RANK
	CAPITAL GH¢	**RECURRENT** GH¢	**TOTAL**GH¢	**CAPITAL**GH¢	**RECURREN**TGH¢			
2008	1,302,333.33	430,695.67	1,733,029.00	1,113,236.24	390,798.90	**1,504,035.14**	**10.6**	**5Th**
2009	1,632,769.00	538,424.10	2,171,193.10	636,689.77	496,153.14	**1,132,842.91**	**7.95**	**6Th**
2010	2,251,588.00	916,368.00	3,167,956.00	775,615.71	820,247.79	**1,595,863.50**	**11.20**	**4Th**
2011	2,355,839.00	1,026,036.89	3,381,875.89	2,263,063.57	821,742.40	**3,084,805.97**	**21.64**	**2nd**
2012	3,340,464.00	998,748.80	4,339,212.80	1,936,447.71	147,459.85	**2,083,907.56**	**14.62**	**3rd**
2013	1,311,030.81	236,310.86	1,547,341.67	964,065.24	144,380.11	**1,108,445.35**	**7.78**	**7Th**
2014	2,385,649.00	2,823,592.04	5,209,241.04	1,593,022.70	2,150,315.60	**3,743,338.30**	**26.3**	**1St**
TOTAL	**14,579,673.14**	**6,970,176.36**	**21,549,849.50**	**9,282,140.94**	**4,971,097.79**	**14,253,238.73**	**100**	
AVERAGE	**2,082,810.45**	**995,739.48**	**3,078,549.93**	1,326,020.13	710,156.83	**2,036,176.96**		
RANK	**1st**	**2nd**		1st	2nd			

Source: Analysis from Municipal Trial Balances, 2008- 2014, September, 2015

The corresponding average actual budget realized for capital and recurrent expenditures starts as GH¢1,326,020.13 and GH¢710,156.83 in 2008 respectively. In terms of the yearly actual budget performance, the 2014 continuous to lead with 26.3% followed by 2011 of 21.64% and 2012 trailed behind by 14.62%. The rest are having a cumulative rate of 37.53% which is less than average budget performance.

A quick glance at the figure 4.6 indicates that planned capital and recurrent budget as against their actual budgets realized depicted fluctuation with a climax of joint raise in 2014. However, the planned recurrent expenditure increases sharply than the planned capital expenditure, whilst both are increasing. The actual recurrent expenditure also leads the actual capital expenditure. The rise in recurrent expenditure might boosts local economic development but squeezing out critical investments in roads, health, education, water, sanitation, etc.

Figure 4.6: Summary of Annual Planned Capital and Recurrent Budget and Actual Budget Realized

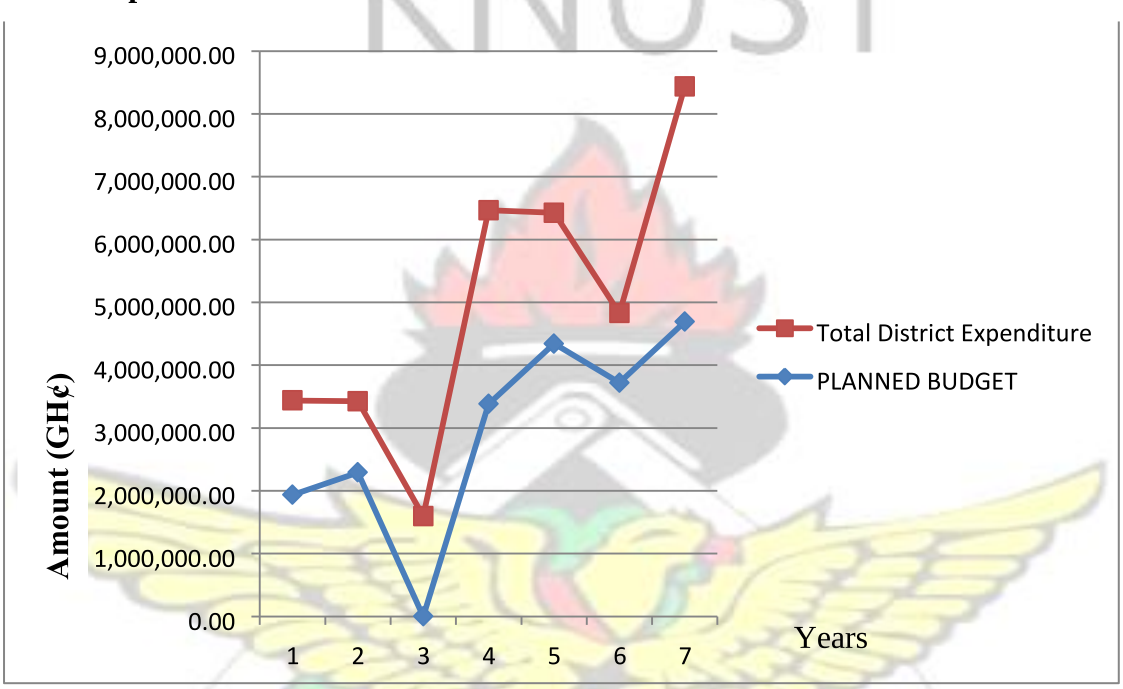


Source: Field Survey, 2015

4.2.3.2 Planned Budget versus Total Actual Expenditure

The total planned budget and the actual budget realized all maintain an increase pattern with the widening in between them. This clearly exemplifies in the graphical representation in Figure 4.7.

Figure 4.7: Shows the pictorial presentation of planed budget and total district expenditure



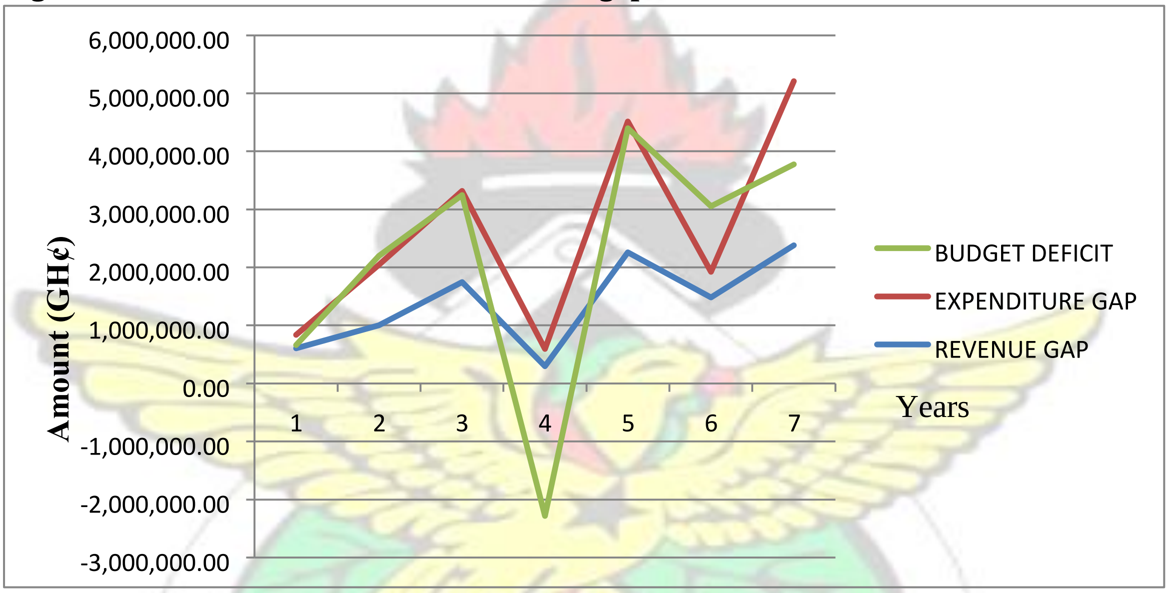
Source: Field Survey, 2015

4.3 Fiscal Gap/Deficit Analysis

This section analyses the planned revenue and expenditure as against actual revenue and expenditure reveal revenue and expenditure gaps and budget deficit in the district. The total revenue and expenditure gaps is GH¢8,777,725.75 and GH¢8,657,907.24 with overall budget deficit of GH¢-3,397,049.21. The total revenue gap stands at GH¢607,975.86 in 2008 increase to GH¢2,257,205.24 in 2012 and then get to GH¢2,306,981.30 in 2014. The expenditure gap started with GH¢228,993.86 less than the revenue gap of GH¢607,975.86. It displays similar trend up to GH¢2,255,305.24 in 2012 reaching a peak of GH¢2,382,040.74 in 2014.

The District recorded a budget surplus in 2009 and 2013 as GH¢153,549.64 and GH¢1,128,281.48 respectively which is less than the total budget deficit of GH¢4,678,880.33 for the study period.

Figure 4.8: Shows the behavior of the fiscal gaps



Source: *Field Survey, 2015*

The able 4.4 Summarized analysis of planned revenue and expenditure, actual revenue and expenditure and revenue, expenditure and budget gaps for the study period spanning from 2008 to 2014.

Table 4.4: Planned Revenue and Expenditure versus Actual Revenue and Expenditure

YEAR	**PLANNED BUDGET**		**ACTUAL BUDGET REALISED**		**REVENUE GAP** GH¢	**EXPENDITURE GAP** GH¢	**BUDGET DEFICITs / SURPLUS** GH¢
	REVENUE GH¢	**EXPENDITURE**GH¢	**REVENUE** GH¢	**EXPENDITURE** GH¢			
2008	1,933,965.00	1,733,029.00	1,325,989.14	1,504,035.14	607,975.86	228,993.86	**-178,046.00**
2009	2,291,193.85	2,171,193.10	1,286,392.55	1,132,842.91	1,004,801.30	1,038,350.19	**+153,549.64**
2010	3,267,795.60.	3,167,956.00	1,520,614.78	1,595,863.50	1,747,180.82	1,572,092.50	**-75,248.72**
2011	3,379,842.89	3,381,875.89	2,117,777.25	3,084,805.97	295,036.92	297,069.92	**-2,873,028.72**
2012	4,341,112.8	4,339,212.80	1,967,707.67	2,083,907.56	2,257,205.24	2,255,305.24	**-116,199.89**
2013	3,720,211.67	1,547,341.67	2,236,726.83	1,108,445.35	1,483,484.84	438,896.32	**+1,128,281.48**
2014	4,689,022.04	5,209,241.04	2,306,981.30	3,743,338.30	2,382,040.74	2,827,200.30	**-1,436,357.00**
TOTAL	**20,273,143.85**	**21,549,849.50**	**13,179,177.40**	**14,253,238.73**	**8,777,725.75**	**8,657,907.24**	**-3,397,049.21**

Source: Analysis from District Trial Balances, 2008- 2014, September, 2015

This result indicates that the huge budget deficit require the district to embark on public private partnership for infrastructure development, borrow or enter into prefinance of physical infrastructure development at the district level. The 53.5% of respondents in survey data confirmed the prefinance of contracts for infrastructure development. Therefore, the continuing imbalance between spending and taxes is a sign of approaching fiscal unsustainability a source of imminent budget crisis.

4.4 CAUSES OF FISCAL GAP

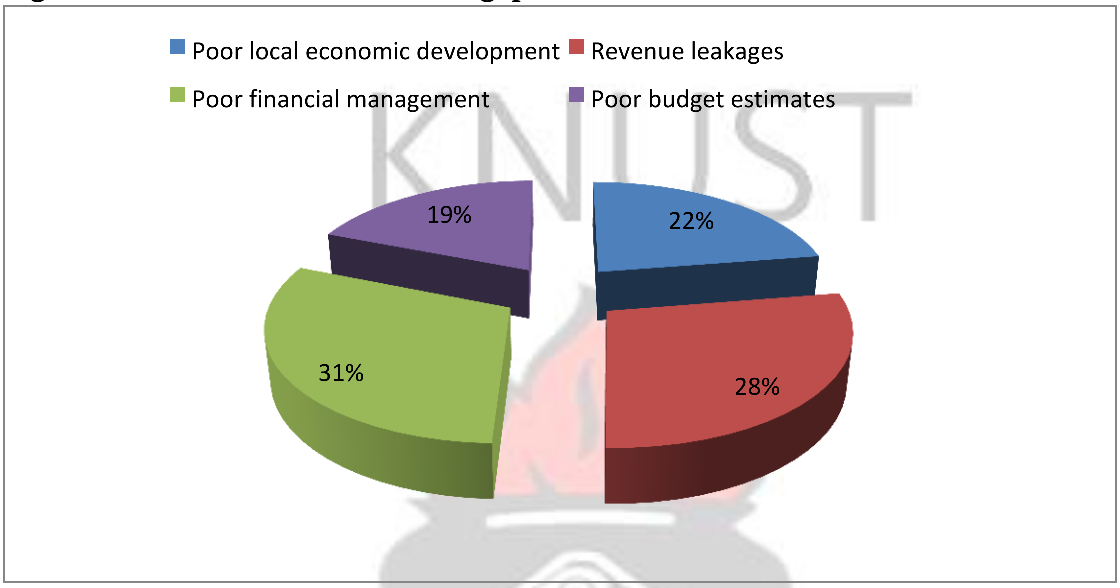
The funding sources of the Metropolitan, Municipal and District Assemblies are District Assemblies' Common Fund, Donor grant, internally generated fund, government transfers for both capital and recurrent expenditures. However, these funding sources are inadequate for the intended purpose because of deficit in the sources. Among the major causes are indicated in the table 4.6 in appendix 3.

A quick look at the table 4.6 in appendix 3 reveals that 30.5% of the respondents accepted poor financial management to be the leading causes, followed by revenue leakages of 28%. The rest are poor local economic development and poor budget estimates of 22.5% and 19% respectively, the combined percentage less than average.

The dominant poor financial management being the major cause is that deduction at source of fund due Assembly with less than the amount reaching the Assemblies is financial imprudent. Again, many of the revenue collectors are semi-literate making adherent to revenue administration regulation difficult. The Assembly continuous use of manual collection does not augur well for efficiency. Besides, inadequate data resulted into poor budget estimates which does not reflect the budget indicators in the district. This mirrored in the persistent huge internally generated fund gap between revenue estimates and actual budget realized for the study period.

The figure shows the summary of the graphical picture of the causes of the funding gaps in the Kwaebibirem District in Ghana.

Figure 4.9: Shows the causes fiscal gaps



Source: Author's Field Work, 2015

4.5 Impact analysis of fiscal gap on district capital infrastructure development The Researcher analyzed the impact of fiscal gap on district capital infrastructure development using Simple Regression Equation such as.

$$\mathbf{lnDCID} = \beta_0 + \beta_1 \mathbf{lnDFG} + \mathbf{U},\ \beta_1 < 0$$

Where DCID is the District Capital Infrastructure Development, amount of money spent the provision of capital infrastructure development on education, water, roads, markets, health facilities etc whilst DFG stand for District fiscal gaps. The is to reduce potential heteroskedasticity in the model. The U stands for the error term that is the unobserved factors that can affect district capital development but they are controlled or not considered in the running of the regression.

The DACF, Donor and Government grants transfers and internally generated fund is the major sources of funding district capital infrastructure development (expenditure) measured in hundreds of Ghana Cedis become dependent variable whilst total funding gaps also measured in hundreds of Ghana cedis is independent variable. The intercept and slope are represented by $the\ \beta_0$ and β_1.

The Eview software produced the following result from the dataset in table 4.10 in appendix 4.8. The result of the simple regression analysis is as.

Lndcid=9.797912 + 0.296385Lndfg,

R-squared .01112, No. of observation 7 and prob. Value of 0.46286

The R-squared shows that DFG explains about 11.12% of the variation in dcid whilst adjusted R-squared was not used because it is for reduction of the biasness of adding sample size but this sample size is limited.

The result revealed that there is no impact of fiscal deficit on district capital infrastructure development. T-Statistic is not significance as the prob. Value of 0.46286 which means that fiscal deficit has no significance impact on the district capital infrastructure development. This is contrary to the a priori sign which shows that an increase of funding gap reduce district capital infrastructure development. However, this might be problem of the degree of freedom which comes from the limitation of small sample size.

However, increase in district capital infrastructure development comes from the debt prefinancing which confirmed by the MTDP 2014 which revealed accumulated debt profile of about 90% in 2014. Again 53.5% respondents in the survey confirmed the existence of debt prefinance in the district.

Table 4.5: The summary of Fiscal Deficit and District Capital Infrastructure Development

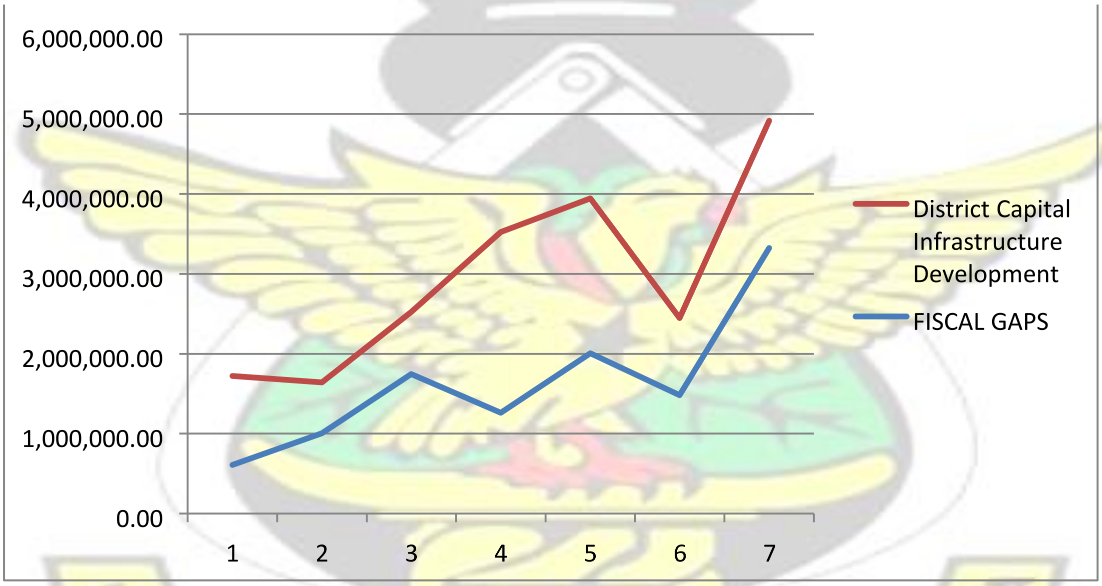
YEAR	PLANNED BUDGETGH¢	ACTUAL BUDGET REALISED GH¢	FUNDING/FISCAL GAPS GH¢	Rank Of Fiscal Gap	District Capital Infrastructure Development GH¢	Total District Expenditure GH¢
2008	1,933,965.00	1,325,989.14	609,975.86	7Th	1,113,236.24	1,504,035.14
2009	2,291,193.85	1,286,392.55	1,004,801.0	6Th	636,689.77	1,132,842.91
2010	3,267,795.60.	1,520,614.78	1,747,180.82	3rd	775,615.71	1,595,863.50
2011	3,379,842.89	2,117,777.25	1,262,065.64	5Th	2,263,063.57	3,084,805.97
2012	4,341,112.8	2,334,696.55	2,006,416.25	2nd	1,936,447.71	2,083,907.56
2013	3,720,211.67	2,236,726.83	1,483,484.84	4Th	964,065.24	1,108,445.35
2014	4,689,022.04	1,364,980.56	3,324,041.48	1st	1,593,022.70	3,743,338.30
Total	20,273,143.85	12,187,177.66	8,085,966.19		9,282,140.94	14,253,238.73
Average for the 7 years			**1,155,138.02**		**1,326,020.13**	**2,036,176.96**

Source: Analysis from District Trial Balances, 2008- 2014, September, 2015

The Figure 4.8 explains the graphical relationship between capital expenditure and funding gap in the district. It was revealed that the average fiscal funding gap and district capital expenditure is GH¢1,155,138.02 and GH¢1,326,020.13 respectively for the study period. This is a surprise outcome as the expectation is the reverse that the increases in fiscal funding gap reduce district capital infrastructure development.

The fiscal funding gap in 2008 stands at GH¢609,975.86 and increased to GH¢1,004,801.00 in 2009 and GH¢1,747,180.82 in 2010 respectively, down by GH¢1,262,065.64 in 2011 and up again in 2012 of GH¢2,006,416.25. It is then risen sharply to GH¢3,324,041.48 in 2014. This result is attributable to huge budget estimation gap due to poor database, poor revenue collection and management practices and unpaid arrears maintained throughout the study period. However, the capital expenditure started with GH¢1,113,236.24 in 2008 more than the funding gap of the same year, decrease to GH¢636,689.77 in 2009 and GH¢775,615.71 in 2010 and increase to GH¢2,263,063.57 in 2011 then again maintain a similar trend of reduction to GH¢1,936,447.71 in 2012 and sharply down to GH¢964,065.24. It finally took an upward turn of GH¢1,593,022.70 in 2014. It can be concluded that on average there is no impact of fiscal funding gap on capital infrastructure development as the relationship is positive. This has also been supported by the simple regression analysis with the t statistic being insignificance.

Figure 4.10: The pictorial presentation of fiscal gap and district capital infrastructure development

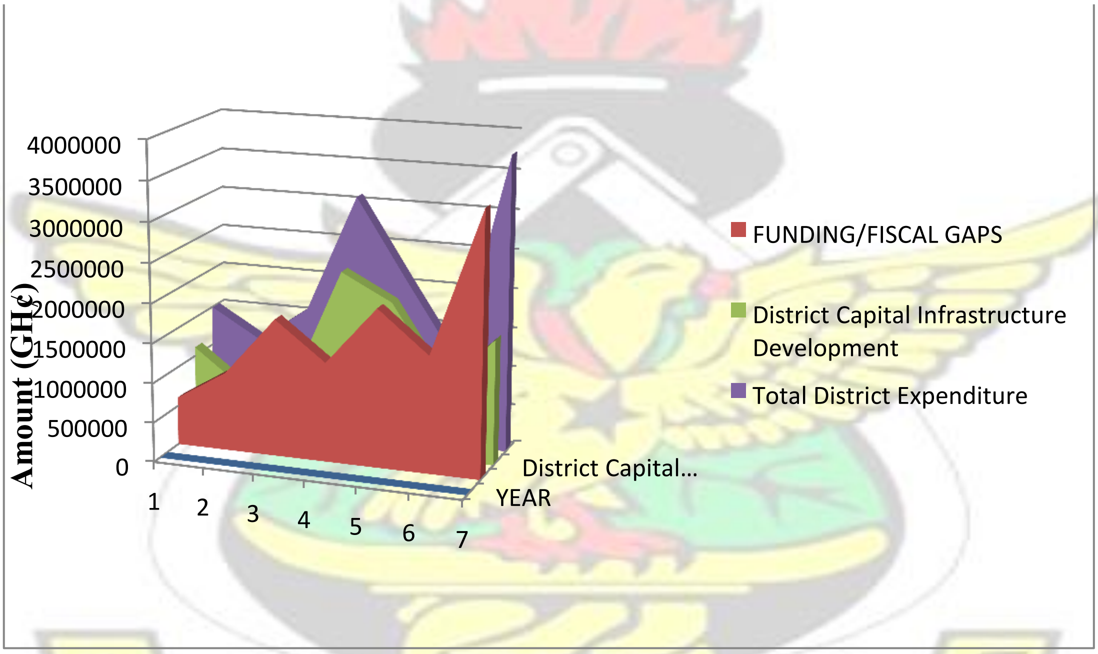


***Source:** Field Survey, 2015*

4.5.1Comparative Analysis of Total expenditure, Capital expenditure and Fiscal gap

The total district expenditure increases faster than fiscal funding gap while the fiscal funding gap also increases more than the district capital infrastructure development for the study period. This means that the three variables have a positive relationship that is the increase in fiscal funding gap has a corresponding increase in total expenditure and capital expenditure instead of reduction. However, chunk funding for total expenditure considers of capital and recurrent expenditure making total expenditure fast than the capital expenditure. Therefore, fiscal funding gap has no impact on the capital and total expenditure in the Kwaebibirem District. Whilst capital infrastructure development with fiscal funding gap still maintain an undulating increase which is attributable to debt prefinance of projects, the recurrent expenditure a component of total expenditure increase by credit purchases revealed in MTDP 2014 the district debt of 90%..

Figure 4.11: Shows the comparative analysis of total expenditure, capital expenditure and fiscal gap.



Source: Author's Field work, 2015

4.6 Strategies for Addressing Funding Gap

This section covers the adopted strategies, assessment of the strategies and the recommended strategies for addressing funding gaps in the district.

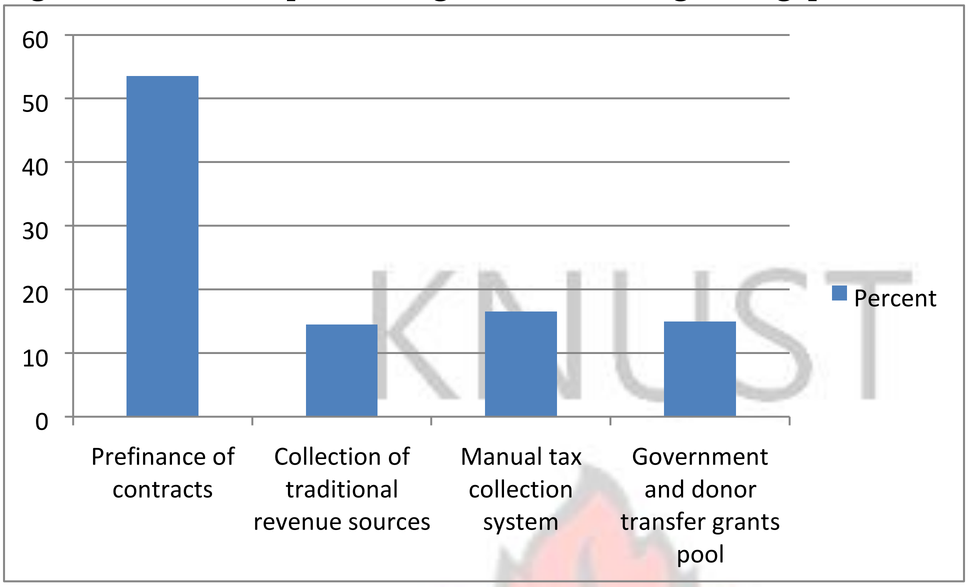
4.6.1 ADOPTED STRATEGIES

The strategies of addressing funding gaps in the district include prefinance contracts of 53.5%, manual collection of 16.5%, government and donor transfer grants pool of 15% and collection of traditional revenue sources of being the least of 14.5%. All the strategies are traditional in nature which does not include innovation in the process, making them ineffective with the result of huge funding gaps in the various funding sources. This makes implementation of the capital infrastructure development deficit.

However, a quick look at Figure 4.10 in appendix 3 demonstrated that the debt prefinance contract dominating the rest with their combined score less than average. The funding gaps of the Assembly pushed the award of contract where contractors use their funds for the construction of capital infrastructure development await the mobilization of financial resources through revenue collection, government or donor grants transfers to pay for advance work. This is not the best practice if not properly arrange will put extra financial burden on the Assembly. This can result into debt crisis of the Assembly with its intended consequent of deficit capital infrastructure development and heavily depended on the external sources of funding. The DMTDP 2014-2017 has confirmed this finding with 90% district debt.

This is clearly illustrated in Figure 4.10 the strategies for addressing funding gaps in a pictorial form.

Figure 4.12: The adopted strategies for addressing fiscal gaps



Author’s Field work, 2015

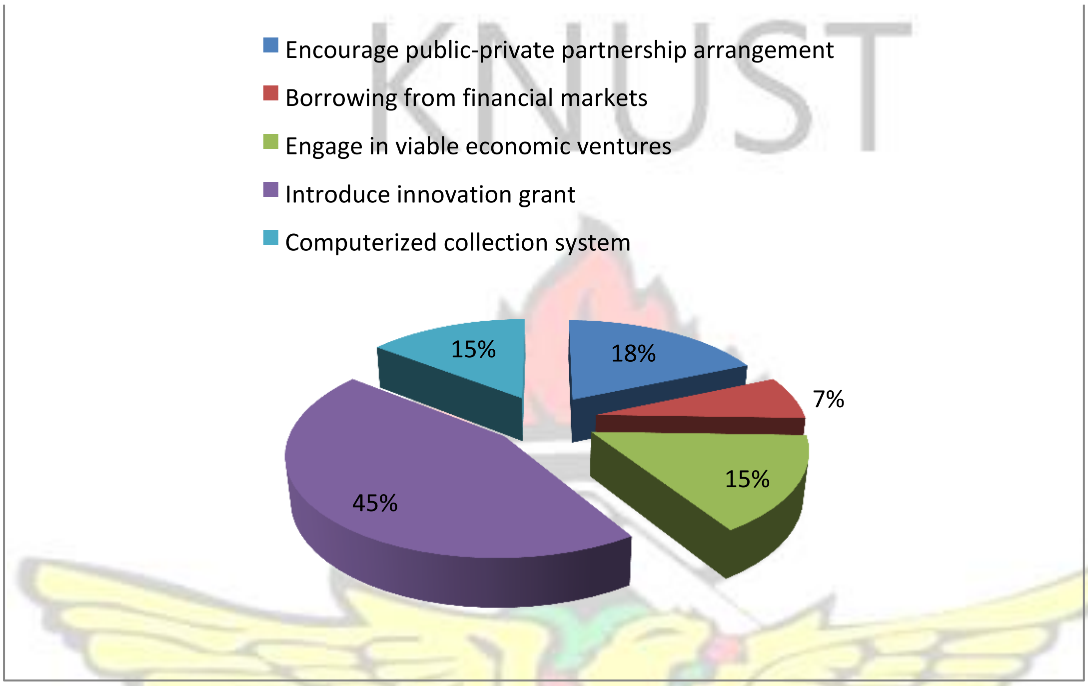
4.6.2 RECOMMENDATED STRATEGIES

The strategies adopted by Kwaebibirem District Assembly seem inadequate for the growing funding gaps for capital infrastructure development. There is the need for alternative strategies to bridge the gaps. Among the recommended strategies are summary in the table 4.12 in appendix 3 as introduce innovation grant 44.5%, publicprivate partnership arrangement 18.5%, engage in viable economic ventures 15.5%, computerized revenue collection system 14.5% with least being borrowing from the financial markets 7%.

The summary of the recommended strategies are displays in the figure 4.11 below illustrated that the innovation grant dominant the records of 45 % and seconded by the public private partnership arrangement of 18%. The least strategies are borrowing from financial markets of 7%. This was as a result of inadequate statutory legal provision to enable the Assembly to actively participate in the financial markets in the form of raising municipal bonds.

However, the combination of the strategies can be effective for addressing the fiscal funding gap in the Kwaebibirem District Assembly.

Figure 4.13: Shows the summary of the recommended strategies of addressing fiscal gaps



Author's Field work, 2015

CHAPTERFIVE

SUMMARY OF FINDINGS, CONCLUSIONAND RECOMMENDATIONS

5.0 Introduction

The chapter summarizes findings of the study, and provides conclusions and recommendations based on the findings. This research sought to assess the impact of fiscal gap on district capital infrastructure development in the Kwaebibirem District Assembly in the Eastern Region of Ghana.

5.1 Summary of Findings

The summaries of findings were based on the four main research questions which are: What are the time profiles of fiscal funding sources? What are the causes of fiscal gaps in funding sources for Capital infrastructure in Kwaebibirem District? What is the impact of fiscal funding gaps on Kwaebibirem District capital infrastructure development? And what are the strategies adopted by Kwaebibirem District to address district capital infrastructure?

The institutional survey revealed that the four fiscal funding sources such as internally generated fund (IGF), District Assemblies' Common Fund (DACF), Government Grant transfers (GGT) and Donor Grant (DG). This was supported by the Local Government Act 462, Act 1993 which established fiscal funding requirement of the district and it was also collaborated by the District Development Facility operational manual specification 2008 which detailed the transfer of donor funds and usage.

The study revealed huge fiscal funding gaps in revenue of GH¢8,777,725.75, expenditure GH¢8,657,907.24 and budget deficit of GH¢-3,397,049.21. This can negatively affects district capital infrastructure development in the district.

With respect to question two of the causes of fiscal funding gaps in the district capital infrastructure development. The research disclosed that the major causes of the problem is poor financial management 30.5% and revenue leakages of 28% of the respondents attested to the fact of that course. Less than 50% of the respondents mentioned poor local economic development and budget estimates.

The result on the impact of fiscal funding gap on district capital infrastructure development revealed that there is no significance impact of fiscal funding gap on district capital infrastructure development.

It is also clear that as the fiscal funding gap increases brings about a corresponding increase in total district capital infrastructure expenditure for the study period.

It came to light that the Assembly major traditional strategies are debt prefinance, manual tax collection system and government and donor pooled grant transfers. But further suggestions for the inclusion of public private partnership arrangement, engage in viable economic ventures, introduction of innovation grant and access to financial markets in the form of issuance of municipal bonds to raise funds for capital infrastructure development in the district.

5.3 Conclusion

The MMDAs in Ghana are mandated to improve service delivery and infrastructure development at the grassroot especially capital infrastructure development as per schedule Six of Local Government Act, 462, Act 1993. Assembly required adequate internally generated revenue, Common Fund (CF), Donor Grant (DG) and Government Grant Transfers (GGT) to carry out the implementation of district capital development projects.

The research revealed that there is huge fiscal funding gap for the implementation of district capital infrastructure development in the Kwaebibirem District Assembly for the study period 2008 to 2014. This goes to compound the infrastructure deficit in the district. The causes of the fiscal funding gap come from poor financial management practices, revenue leakages, inadequate local economic development and poor budget estimates. These are human factors which can be addressed with proper planning and implementation.

In a related development, the regression analysis revealed that the fiscal funding gap has no impact on district capital infrastructure development. There is no significance impact of fiscal funding gap on district capital infrastructure which is contrary to the slope of coefficient of being negative. It can argued that there is the present of the problem of the degree of freedom due to small sample size which call for further study to confirm or otherwise.

From the findings, there are challenges which need to be addressed to bridge the fiscal funding gap in order to improve the entire fiscal decentralization in Ghana. Among them are poor dependent on external source of funding, huge fiscal deficit, debt burden, poor financial management and budget estimates. These can be overcome through strategies such as introduction of innovation grant, active participation in the financial markets and public private partnership arrangement and sustainable debt management practices.

5.2.0 RECOMMENDATIONS

The recommendations are summarized and discussed below: introduction of innovation grant, access to financial markets, support local economic development, implement public private partnership arrangement, development of fiscal database, capacity building training programmes, regular monitoring and supervision system, fiscal discipline, active participation in viable economic ventures.

5.2.1 Introduction of innovation grant

Apart from the existence of the DACF and DDF, there should an introduction of innovation grant that encourage Assembly to develop self-financing project to have access to the fund which is revolving by nature. This will help promote the development of forward and backward linkage industries with the potential of oiling the engine of the local economies thereby increase the revenue base of the Assemblies.

5.2.2 Sustainable management of debts

The Assembly should be constraint in its spending spree through staff capacity build training on debt and budget management skills in order to minimize the phenomenon in the district. The consolidated financial legal framework available for the easy reference for the implementation of district capital infrastructure development.

5.2.3 Access to financial markets

The policy framework of the fiscal decentralization restructured to create room for the Assembly to actively participate in the financial markets in the form of issue of municipal bonds to raise money to fund revenue generation projects.

5.2.4 Capacity building training programmes

The district needs to design capacity building training programmes to improve the capacity of the rate collectors and officials to increase the volume of revenue collection system. The training will also improve the poor institutional capacity in the area of human, organizational and system limitations. The training should be tailored to meet the needs of the Assembly concept. This empowers the staff with the requisite skills to network and raise funds from the national and international organizations to fund capital development. The capacity of if upgraded will resolve the problem of poor financial management.

5.2.5 Regular monitoring and supervision system

The district has to put in place regular revenue monitoring and supervision system to prevent leakages and achieve targets. The district should also strengthen the revenue taskforce and officials to take an active part in the collection and monitory of revenue.

5.2.6 Active participation in viable economic ventures

The strategic location of the district capital town, Kade with brisk commercial activities requires the Assembly to consider other sources of funds. The district can enter into business in the form of public private partnership arrangement to operate economically feasible businesses such as omnibus transport services, invest in real estate development ventures. Assembly will have to filter best practices from the private sector to improve fiscal performance.

5.2.7 Development of fiscal database

Assembly should develop a fiscal database to have accurate assessment and projection of the financial performance. This helps address the problem of poor budget estimates which result into Assembly unable to meet its budget targets for the period.

5.2.8 Support local economic development

Assembly should also create enabling environment for local industries to thrive.

Local economic development is the engine of the district development. Therefore, the Assembly should be supported to grow .In this vein, policy makers and stakeholders should keep the District Assembly under surveillance to ensure that policy directives governing administration and management of local economic development are complied with.

4.5 Directions for Future Research

The positive relationship between fiscal Funding gap and district capital infrastructure calls for further research to validate or disprove result in order to strength Fiscal Decentralization and Local Governance in Ghana

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APPENDICES

APPENDIX 1: QUESTIONNAIRE FOR RESPONDENTS

INTRODUCTION

I am a student of Master of Science in Economics-Finance at Kwame Nkrumah University of Science and Technology, Kumasi carrying out a study on fiscal performance in Kwaebibirem District Assembly as part of my research Thesis. The aim of the study is to assess the impact of fiscal performance on the district capital investment in the Kwaebibirem District Assembly in the Eastern Region of Ghana.

As a stakeholder in the Kwaebibirm District, your views are important in this study. I would be grateful if you could answer the following questions frankly as possible. I assure you that the information you provide in the questionnaire would be treated confidentially and anonymously and solely used for the purpose of the research. Thank you in advance for your co-operation.

1. Department/destination/organization……………………Position……………

2. Age………………………………………..

3. Sex: M………………….. F……………………..

4. Level of education…………………………………………………..

5. What type of work does you do/profession?

………………………………………………………………………………

6. How long have you been in the district? ………………………………………………………………………………

7. Please, can you mention the roles of the Assembly?

………………………………………………………………………………

8. How do you assess Assembly performance in capital investment (social, economic, environment and administration)? a) Satisfactory b) Unsatisfactory

9. How give reasons for the unsatisfactory performance

………………………………………………………………………………

10. If satisfactory, what account to that

………………………………………………………………………………

11. What sector rank first

………………………………………………………………………………

SOURCES OF FUNDING PERORMANCE

12. What are the sources of funding district capital investment?

a) DACF, IGF, Donor fund, gov't transfers

b) Investment

c) Public contribution and Donations

d) Property rate, service charges, mineral royalties

e) Proceeds from investment funds

13. If others mention them

……………………………………………………………………………………

14. Indicate the levels of performances of these sources of funding

……………………………………………………………………………………

15. What are the causes of fiscal performance gap in the district?

a) Weak revenue base

b) Inaccurate budget projections

c) Poor awareness of macroeconomics trends

d) Poor fiscal discipline

EFFECTS OF FISCAL PERORMMANCE

16. What are the effects of the fiscal performance of the Assembly?

a) Untimely implementation of projects

b) Time value of money loss

c) Shoddy output of infrastructures

d) Waste of project resources

e) Poor standard of living of the people

17. In your view, what are the major problems of the fiscal performance to the district?

a) Poor achievement of budget targets

b) Fiscal indiscipline

c) Poor stakeholders' attitude towards fiscal measures

d) Lack of budget implementation priorities

18. In your view, what is district capital infrastructure development?

………………………………………………………………………………………

19. Mention the major components of the district capital infrastructure development.

a) Construction of markets/stores, Office/residential accommodations, schools, health facilities and toilet facilities and acquisition of refuse containers/vehicles

b) Capacity building training

c) Celebration of national holidays/occasions

d) Distribution of Assembly financial resources to the poor 20. What are the major impacts on district capital investment?

a) Access to socio-economic facilities

b) Enhance living standard of the people

c) Equitable distribution development resources

d) Improve standard of living of urban population

e) Waste of development resources

21. What are the constraints of the district capital investments?

a) Limited financial resources

a) Poor investment culture

c) Inadequate local economic development

d) Poor fiscal discipline

22. What are the causes of the delay of the completion of the projects?

a) Delay in the release of funds

b) Irregular flow funds

c) Bribery and corruption

d) System failure

23. List funding sources apart from the four major ones for the implementation of uncompleted projects?

………………………………………………………………………………………

24. Do you think Assembly is able to achieve its budget targets on DACF, IGF and Donor-funds? A) Yes b) no

25. If no, list the reasons…………………………………………………………

26. Do you think Assembly is able to achieve balanced budget? a) Yes b) no

27. If no, give reasons…………………………………………………………….......

STRATEGIES FOR ADDRESSING FISCAL GAPS

28. Do you know the strategies Assembly adopted to address district capital investment?

a) Yes b) no

29. List the adopted strategies to address the fiscal gaps

a) ………………………………………………………………………………

b) ………………………………………………………………………………

c) ………………………………………………………………………………

d) ………………………………………………………………………………

29. How do you assess the strategies mentioned above for addressing fiscal performance gaps? a) E f f e c t i v e b) Ineffective

30. If strategies are ineffective, what are the possible reasons?

a) Poor coverage of revenue sources

b) Low property rate payment

c) No access to municipal bonds

d) Revenue leakages

e) Proceeds from investment funds

31. Suggest alternative strategies that can improve fiscal performance

a) Encourage public-private partnership arrangement

b) Engage in viable economic ventures

c) Linkage revenue mobilization to Service Delivery

d) Introduce innovation grants

e) Borrowing from financial markets

APPENDIX 2: DATA COLLECTION FORMAT –KWAEBIBIREM DISTRICT ASSEMBL, KADE

INTRODUCTION

I am a student of Master of Science in Economics at Kwame Nkrumah University of Science and Technology, Kumasi carrying out a study on fiscal performance in Kwaebibirem District Assembly as part of my research Thesis. The aim of the study is to assess the impact of fiscal performance on the district capital investment in the Kwaebibirem District Assembly in the Eastern Region of Ghana.

I would be grateful if you could fill the following formats/tables frankly for me as early as possible. I assure you that the information you provided would be treated confidentially and anonymously and solely used for the purpose of the research.

SOURCES OF DATA

Monthly and Annual Trial Balances 2008-2014

Quarterly and Annual progress reports 2008-2014

Annual/Supplementary budgets 2008-2014

Quarterly and Annual progress reports 2008-2014

Quarterly and Annual Revenue reports 20108-2014

Quarterly and Annual Donor grant progress reports 2008-2014 Thank

you in advance for your cooperation.

FORMAT 1: District Assembly Cost of Revenue Collection

Year	Permanent staff		Commission Collectors	
	Total No	Salary	Total	Commission
2008				
2009				
2010				
2011				
2012				
2013				
2014				
Total				

FORMAT 2: Internally Generated Fund Sources

Item	2008	2009	2010	2011	2012	2013	2014
Rate							
Lands							
Fees/Fines							
Licenses							
Rents							
Investment							
Miscellaneous							
Total							

FORMAT 3: Planned DACF and IGF and Actual DACF and IGF

YEAR	DACF		Total	IGF		Total
	Planned	Actual		Planned	Actual	
2008						
2009						
2010						
2011						
2012						
2013						
2014						
Total						

FORMAT 4: Planned Government Grant and Donor Grant And Actual Government Grant And Donor Grant

Year	GOG Transfers		Total	Donor Grant		Total
	Planned	Actual		Planned	Actual	
2008						
2009						
2010						
2011						
2012						
2013						
2014						
Total						

FORMAT 5: Planned Capital Expenditure and Recurrent Expenditure versus Actual Capital Expenditure and Recurrent Expenditure

Year	Capital expenditure		Total	Recurrent expenditure		Total
	Planned	Actual		Planned	Actual	
2008						
2009						
2010						
2011						
2012						
2013						
2014						

Total						

FORMAT 6: DISTRICT ASSEMBLY DEBTS

Year	Amount owing to project Contractors and suppliers for the period	
2008		
2009		
2010		
2011		
2012		
2013		
2014		

FORMAT 7: Stakeholders' Perceptions on Fiscal Performance In The District

Year	Project	Sector	Contract Sum	Timeframe		Reason for deviation
				Start Date	Completion Date	
2008						
2009						
2010						
2011						
2012						
2013						
2014						
Total						

FORMAT 8: Fiscal Performance Challenges And Proposed Solutions

Fiscal Performance Indicators	Causes of Fiscal Gaps	Solutions to Fiscal Gaps
Planned-actual IGF		
Planned –Actual GOG Transfers		

Planned –actual DACF		
Planned-actual capital expenditure		
Planned actual recurrent expenditure		
Planned-actual Gov. Grant		
Planned Donor Grant-actual		
Deb both capital and recurrent investments		
Budget Deficit		
Planned –Actual Counterpart Funding		

FORMAT 9: OTHER REVENUE NOT IN THE TRADDITIONAL ONES-eg

Local Donor, Communal labor community self-help projects

ITEM	YEAR	REVENUE		
		Planned	Actual	Total
	2008			
	2009			
	2010			
	2011			
	2012			
	2013			
	2014			
	Total			

FORMAT 10: OTHER EXPENDITURE NOT IN THE TRADDITIONAL ONES

ITEM	YEAR	EXPENDITURE		Total
		Planned	Actual	
	2008			
	2009			
	2010			
	2011			
	2012			
	2013			
	2014			
	Total			

APPENDIX 3 ANALYZED RESULTS

4.1 Gender Distribution of Respondents

SEX	FREQUENCY	PERCENT
MALE	120	60
FEMALE	80	40
TOTAL	200	100

Source: Author's Field work, 2015

Table 4.2: The age distribution of the respondents

Age Range	**Mid-Point (X)**	**Frequency (F)**	**Fx**
20-39	29.5	78	2,301
40-59	49.5	97	4,801.5
60-79	69.5	25	1,737.5
		Σf =200	Σfx=8,840

Source: Author's Field Work, 2015

The Statistical formula for Mean on the group data: X = Σfx / Σf. Where x =Sample Mean Σfx = Sum of frequencies (f) multiplied by mid-point (x) values and Σf = sum of frequencies. From table 4.2 in the appendix, Σfx = 8,840 and Σf = 200. By substitution into the formula, x=8,840/2000: x=44.2.

Table 4.3 Summary of educational status of respondents

Education	Frequency	Percent
Basic	78	39
Sec/The./Com.	57	28.5
Tertiary	18	9
No education	47	23.5
Total	200	100

Source: Author's Field Work, 2015

4.4 Occupational Distribution of Respondents

Occupation	Frequency	Percent
DACF/IRS Officials	11	5.5
Revenue collectors/Officials	47	23.5
Artisans/Traders	78	39
Donor Grant Officials	9	4.5

Property owners/Institutions	37	18.5
District Management	18	9
Total	200	100

Source: Author's Field work, 2015

Table 4.5: Sources of Fundings

Sources of funding	Frequency	Percent
DACF, IGF, Donor fund, gov't transfers	153	76.5
Public contribution and Donations	11	5.5
Property rate, service charges, mineral royalties	32	16
proceeds from investment funds	4	2
Total	200	100

Source: Author's Field Work, 2015

Table 4.6: Showing the Causes of fiscal gap

Causes of fiscal gaps	**Frequency**	**Percent**
Poor local economic development	**45**	**22.5**
Revenue leakages	**56**	**28**
Poor financial management	**61**	**30.5**
Poor budget estimates	**38**	**19**
Total	**200**	**100**

Source: Author's Field Work, 2015

Table 4.7: Total approved budget and actual budget realized

Year	PLANNED BUDGET	Total District Expenditure
2008	1,933,965.00	1,504,035.14
2009	2,291,193.85	1,132,842.91
2010	3,267,795.60.	1,595,863.50
2011	3,379,842.89	3,084,805.97
2012	4,341,112.80	2,083,907.56
2013	3,720,211.67	1,108,445.35
2014	4,689,022.04	3,743,338.30
Total	**20,273,143.85**	**21,549,849.50**

Source: Author's Field Work, 2015

Table 4.8: Impact Analysis of Fiscal Gap on Capital Infrastructure Development

Dependent Variable: LNDCID				
Method: Least Squares				
Date: 09/05/15 Time: 17:32				
Sample: 2008 2014				
Included observations: 7				
LNDCID = C(1) + C(2)*LNDDEF				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	9.797912	5.294213	1.850683	0.1234
C(2)	0.296385	0.372972	0.794657	0.4628
R-squared	0.112134	Mean dependent var		14.00241
Adjusted R-squared	-0.065439	S.D. dependent var		0.475620
S.E. of regression	0.490936	Akaike info criterion		1.649950
Sum squared resid	1.205091	Schwarz criterion		1.634496
Log likelihood	-3.774826	Hannan-Quinn criter.		1.458939
F-statistic	0.631480	Durbin-Watson stat		1.981387
Prob(F-statistic)	0.462847			

Source: Analysed data from Finance Department, September, 2015

4.9: Illustrates the adopted strategies for addressing fiscal gaps

Adopted strategies	Frequency	Percent
Prefinance contracts	107	53.5
Collection of traditional revenue sources	29	14.5
Manual tax collection system	33	16.5
Government and donor transfer grants pool	30	15
Total	200	100

Source: Author's Field work, 2015

Table 4.10: Summarized the recommended strategies to address fiscal gaps/deficits

Recommended strategies	Frequency	Percent
Encourage public-private partnership arrangement	37	18.5
Borrowing from financial markets	14	7
Engage in viable economic ventures	31	15.5
Introduce innovation grant	89	44.5
Computerized collection system	29	14.5
Total	200	100

Source: Author's Field work, 2015