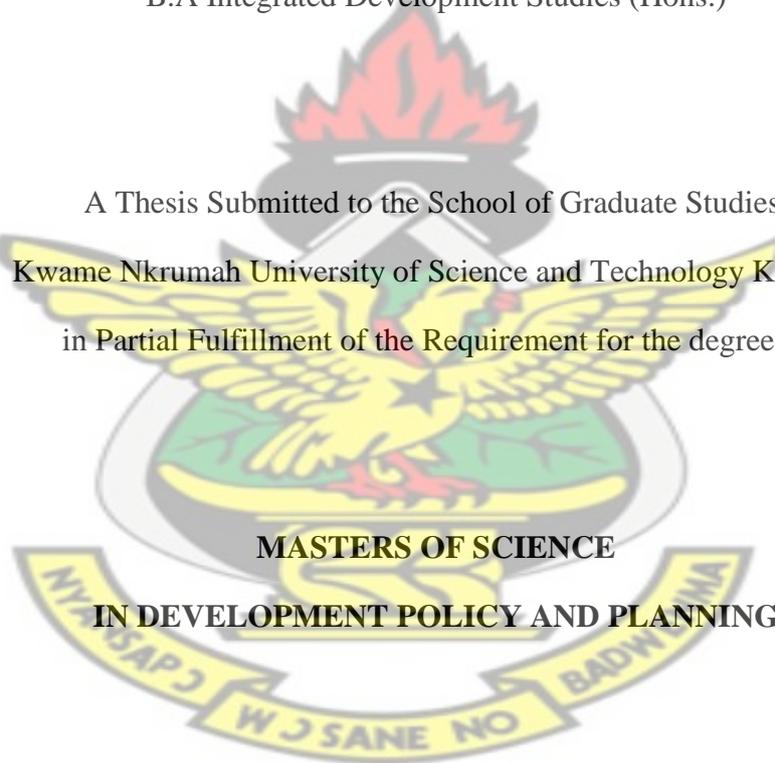


**ASSESSING THE SOURCES AND SUSTAINABILITY OF FUNDING TO  
ASSEMBLIES FOR LOCAL DEVELOPMENT: COMPARATIVE ANALYSIS OF  
THREE  
SELECTED METROPOLITAN, MUNICIPAL AND DISTRICT ASSEMBLIES  
(MMDAs) IN THE UPPER EAST REGION (UER) OF GHANA.**

By  
**KNJUST**  
**Adaapiim Michael**

B.A Integrated Development Studies (Hons.)

A Thesis Submitted to the School of Graduate Studies,  
Kwame Nkrumah University of Science and Technology Kumasi,  
in Partial Fulfillment of the Requirement for the degree of



**MASTERS OF SCIENCE  
IN DEVELOPMENT POLICY AND PLANNING**

Department of Planning  
College of Architecture and Planning

**April, 2012**

## DECLARATION

I hereby declare that this is my own work towards the MSc and that, to the best of my knowledge; it contains no material previously published by another person or material which has been accepted for the award of any other degree of the University, except where the due acknowledgement has been made in the text.

ADAAPIIM MICHAEL (PG 2233008) .....

(Student Name and Number ) Signature Date

KNUST

Certified by:

MR. PRINCE ABOAGYE ANOKYE .....

(Supervisor) Signature Date

Certified by:

DR. IMORO BRAIMAH .....

(Head of Department) Signature Date



## ACKNOWLEDGEMENT

A good social research is a collective enterprise and its success depends on the full cooperation of many groups and individuals. My profound thanks go to the Almighty God for granting me good health to successfully carry out this study throughout the year. I thank him for guiding and seeing me through to a successful completion of a two year master programme. I give Him the GRORY AND HONOUR.

To Mr. Prince Anokye Aboagye my supervisor, I wish to express my profound gratitude to him for spending his precious time going through this work and making the necessary corrections and suggestions. I wish to express my heartfelt appreciation to my late parents; my dad Mr. Adaapiim and my Mum madam Ayabalie of blessed memory for educating me this far. May the good Lord grant you His blessings.

I am grateful to Genevieve Akanbong my wife for her patience and resilience throughout my research period. Not forgetting Mr. Moro and Mr. Joe for their encouragement when things became difficult to handle. I just want to say that I have you at heart.

My sincere thanks go to all the lecturers of the Department of Planning especially Dr. Imoro Braimah (Head of Department) and Dr. K. O. Agyeman (Course Director) who provided a congenial academic and administrative atmosphere for me to pursue my academic work. I would also extend my sincere gratitude to some organizations and staff. These are Ministry of Local Government and Rural Development, Bolgatanga Municipal, Talensi Nabdam District Assembly and Builsa District Assembly. Staff worth mentioning include Mr. Owusu, Mr. Donatus, Mr. Dubik and Mr. Akolgo respectively.

Finally, my sincere thanks also go to all my course mates, friends and especially Mr. Emmanuel Abanga and everybody who in one way or another contributed to the success of this work.

I am solely responsible for all criticisms, errors, and lapses associated with this work.

## ABSTRACT

Decentralization is a term that refers to the transfer of authority to plan, make policy decisions and to carry out public functions from the national to the sub-national levels

This strategy has been given legal backing in the 1992 constitution. Article 35 section 6 (d) enjoins the state to involve ordinary citizens in the decision making process. It states “making democracy a reality by decentralizing the administrative and financial machinery of government to the regions and districts by affording all possible opportunities to the people to participate in decision making at every level in national life and in government.” There are components of Ghana’s decentralization policy. These are political, administrative, development planning, financial and economic.

Distribution of financial responsibility is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have adequate level of revenues – either raised locally or transferred from the central government– as well as the authority to make decisions about expenditures. In the light of this important role, the study identified some sources of funding to the Assemblies and prescribed sustainability measures to improve their internal mobilizations. Fiscal decentralization entails putting in place the structural and regulatory policies on; revenue allocation, inter-governmental transfers and borrowing arrangements; planning and budgeting processes; and financial management arrangements that would ensure the transfer of adequate financial resources from Central Government to local government authorities. These authorities are empowered with the autonomy to allocate these resources in the provision of socio-economic services through composite budgeting.

To achieve the set objectives, the study employed a case study approach as the path. Under the case study, purposeful sampling was used to select the three District Assemblies which were Builsa, Talensi Nabdam and Bolgatanga Municipality while systematic sampling derived from probability sampling was used to identify houses in the communities while stratified sampling was used for households identification.

The study utilized both secondary and primary data. Primary data were collected by administering questionnaires to respondents. Secondary data were also collected by contacting MMDAs, Regional Coordinating Council, Ministry of Local Government and Rural Development and other relevant Non-Governmental Organizations.

The study revealed that there is: low internally generated funds, inadequate training for revenue collectors and tax payers, inadequate motivation for revenue collectors, inadequate data base to aid planning and revenue mobilization and untimely transfer of funds from central government.

Following from the findings, the study concludes that all the relevant stakeholders in the revenue chain should be educated in respect to revenue mobilization. The central government should deliberately fashion out strategies to improve the local economies of the less endowed districts.

# KNUST



## TABLE OF CONTENT

CONTENTS	PAGES
DECLARATION .....	ii
ACKNOWLEDGEMENT .....	iii
ABSTRACT.....	iv
TABLE OF CONTENT .....	vi
LIST OF TABLES.....	xi
LIST OF FIGURES .....	xii
LIST OF ACRONYMS .....	xiii
CHAPTER ONE .....	1
OVERVIEW OF THE STUDY .....	1
1.1 Introduction .....	1
1.2 Problem Statement .....	4
1.3 Research Questions .....	6
1.4 Objectives of the Study .....	6
1.4.1 Operative Objectives are to: .....	7
1.5 Justification .....	7
1.6 Scope of the Study .....	8
1.7 Limitations of the Study.....	11
1.8 Organization of the Report.....	11
CHAPTER TWO .....	12
ANALYTICAL FRAMEWORK OF SOURCES AND THEIR SUSTAINABILITY OF FUNDING TO MMDAs .....	12
2.1 Introduction .....	12
2.2 Decentralization as a Development strategy .....	12
2.3 Forms of Decentralization.....	13

2.3.1 Deconcentration.....	13
2.3.2 Delegation .....	14
2.3.3 Devolution .....	15
2.3.4 Privatization.....	15
2.4 Fiscal Decentralization.....	16
2.5 Measuring Decentralization .....	16
2.6 Policy Framework of Ghana’s Decentralisation Concept.....	19
2.6.1 Structure of the New Local Government System.....	20
2.6.2 Metropolitan/Municipal/District Assemblies (MMDAs).....	21
2.7 Local Government Finance .....	22
2.7.1 Sources of Revenue to MMDAs .....	23
2.7.1.1 Internal Revenue Sources.....	23
2.7.1.2 External Revenue Sources.....	24
2.7.1.3 Ceded Revenue.....	24
2.8 The Concept of Sustainability.....	25
2.9 Understanding the Concept of Development.....	26
2.10 The Millennium Development Goals.....	29
2.10.1 Goals and targets of the millennium development goals .....	30
Goal 1: Eradicate extreme poverty and hunger .....	30
Goal 2: Achieve universal primary education.....	30
Goal 3: Promote gender equality and empower women .....	30
Goal 4: Reduce child mortality rates .....	30
Goal 5: Improve maternal health.....	30
Goal 6: Combat HIV/AIDS, malaria, and other diseases.....	30
Goal 7: Ensure environmental sustainability.....	31

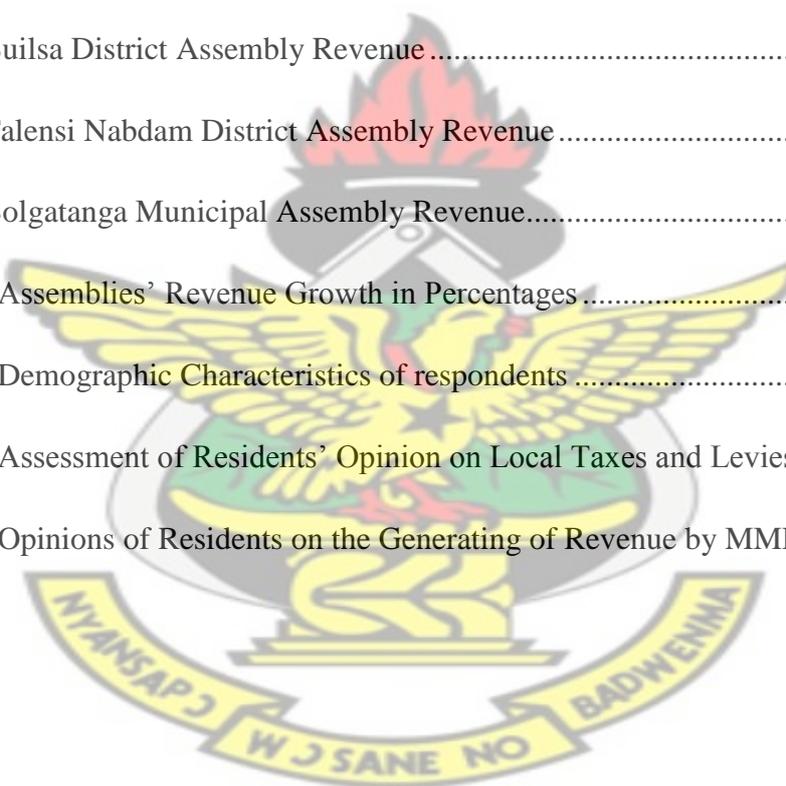
Goal 8: Develop a global partnership for development .....	31
2.10.2 Progress made towards the achievement of the MDGs.....	31
2.10.3 Challenges .....	33
2.11 Local Level Development.....	33
2.12 The Conceptual Framework.....	34
2.13 Conclusion .....	38
<b>CHAPTER THREE.....</b>	<b>39</b>
<b>RESEARCH DESIGN AND METHODOLOGY.....</b>	<b>39</b>
3.0 Introduction.....	39
3.1 Case Study Research Design.....	39
3.2 Justification for the Case Study Design .....	40
3.3 Data Collection .....	41
3.3.1 Primary Data.....	41
3.3.2 Secondary Sources .....	42
3.4 Sampling Techniques and Procedures .....	42
3.5 Data processing, Editing and Analysis .....	43
3.6 Units of Analysis/Enquiry.....	44
3.7 Validity and Reliability.....	45
3.8 Conclusion .....	45
<b>CHAPTER FOUR .....</b>	<b>46</b>
<b>ANALYSIS AND INTERPRETATION OF DATA .....</b>	<b>46</b>
4.0 Introduction.....	46
4.1 Profile of Upper East Region.....	46
4.1.1 Historical Background.....	46
4.1.2 Geo-Physical Characteristics.....	46

4.1.2.1 Location and size.....	46
4.1.2. 2. Soil and drainage.....	47
4.1.2.3 Vegetation.....	47
4.1.2.4 Climate.....	47
4.2 Demographic characteristics.....	48
4.2.1 Population, Growth Rate and Density.....	48
4.2.2 Sex structure.....	50
4.2.3 Age dependency ratio.....	50
4.2.4 Major ethnic groups.....	50
4.3 Social characteristics.....	50
4.3.1 Education.....	50
4.3.2. Adult Literacy.....	51
4.3.3 Health.....	51
4.3.3.1 Health Facilities.....	52
Source: Upper East Ghana Health Services.....	53
4.3.4 Poverty Levels.....	53
4.4 Economic Characteristics.....	53
4.4.1. Economic activities.....	53
4.4.1.1 Agriculture.....	53
4.4.1.2 Industry and Mining.....	54
4.4.1.3 Tourism.....	54
4.5 Implementation of the Decentralization Policy in Ghana.....	54
4.5 Sources of Funding to the MMDAs.....	56
4.7 Sustainability of Funding Sources to MMDAs.....	63
4.7.1 Performance of Funding Sources.....	64

4.7.2 Revenue Growth and Stability .....	64
4.7.3 Regular and Timely .....	67
4.8 Local Residents and Public Opinion on Internal Revenue Mobilization of MMDAs	68
4.8.1 Ages, Sex structure and Educational level of Respondents .....	68
4.8.2 Functions of the Assemblies.....	70
4.8.3 Payment of Taxes and Levies and Benefits Derived.....	70
4.8.4 Internal Revenue Generation of the Assemblies .....	71
4.8.5 Challenges that MMDAs are facing in the Mobilization of Internal Revenue .....	72
<b>CHAPTER FIVE .....</b>	<b>73</b>
<b>FINDINGS, RECOMMENDATIONS AND CONCLUSION .....</b>	<b>73</b>
5.0 Introduction.....	73
5.1 Summary of Findings.....	73
5.1.1 Decentralization Practice in Ghana .....	73
5.1.2 Revenue Sources Performance.....	74
5.1.3 Sustainability of Funding Sources to MMDAs.....	76
5.1.4 Local Community Development .....	76
5.2 Recommendations.....	77
5.3 Conclusion .....	79
<b>REFERENCES .....</b>	<b>81</b>
<b>Appendix I.....</b>	<b>85</b>
<b>Appendix II.....</b>	<b>87</b>
<b>Appendix III.....</b>	<b>89</b>

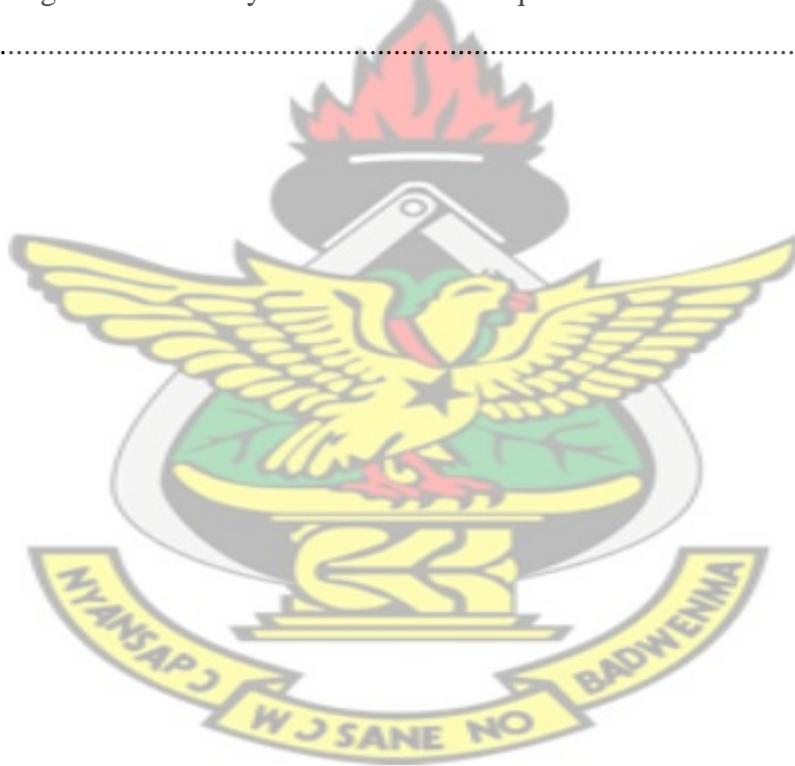
## LIST OF TABLES

Table 3.1 Characteristics of sampled communities .....	43
Table 4.1 Demographic Characteristics.....	49
Table 4.2 Educational Characteristics .....	51
Table 4.3 Health Status Indicators.....	52
Table 4.4 Clinical Medical Officers, 2004 .....	52
Table 4.5 NHIS Coverage, 2006.....	53
Table 4.6 Percentage of Population below Poverty line.....	53
Table 4.7 Builsa District Assembly Revenue.....	57
Table 4.8 Talensi Nabdam District Assembly Revenue.....	60
Table 4.9 Bolgatanga Municipal Assembly Revenue.....	62
Table 4.10 Assemblies' Revenue Growth in Percentages .....	65
Table 4.11 Demographic Characteristics of respondents .....	69
Table 4.12 Assessment of Residents' Opinion on Local Taxes and Levies.....	70
Table 4.13 Opinions of Residents on the Generating of Revenue by MMDAs .....	71



## LIST OF FIGURES

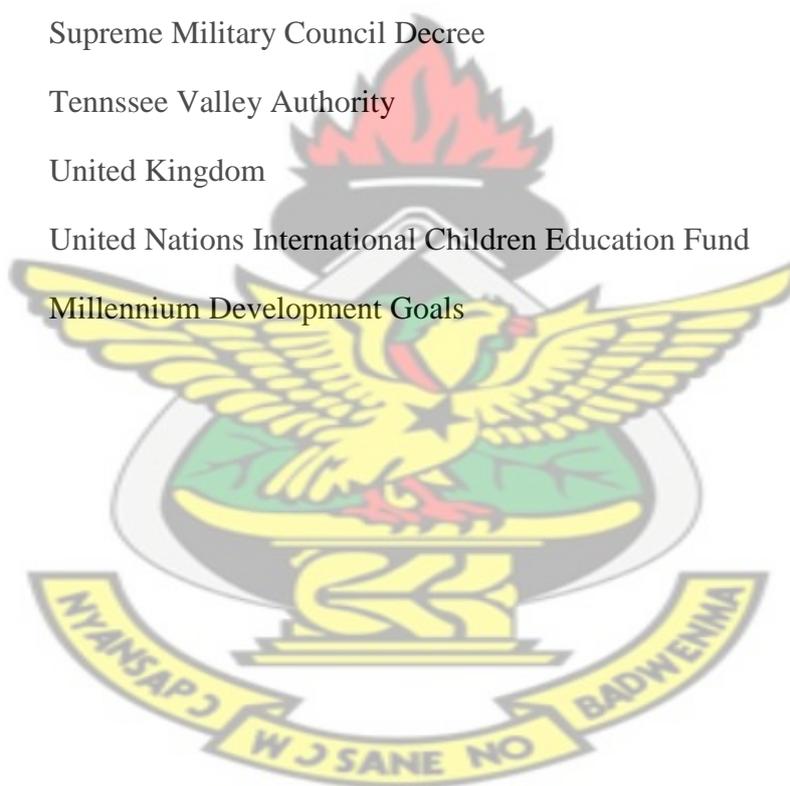
Figure 1.1 Political Map of Talensi-Nabdam District Assembly .....	8
Figure 1.2 Political Map of Builsa District Assembly.....	9
Figure 1.3 Political Map of Bolgatanga Municipal Assembly .....	10
Figure 2.1 New Local Government Structure.....	21
Figure 2.2 Conceptual Framework of Sources and Sustainability of Assemblies' Revenues .....	37
Figure 4.1 Map of Upper East Region.....	47
Figure 4.2: Regular and Timely release of the first quarter of the Assemblies Common Fund. ....	68



## LIST OF ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
CSM	Cerebro Spinal Meningitis
CSOs	Civil Society Organizations
DA	District Assembly
DACF	District Assembly Common Fund
DANIDA	Danish International Development Agency
DCD	District Coordinating Director
DCE	District Chief Executive
DMTDP	District Medium Term Development Plan
DPBU	Development planning and Budgeting Unit
DPCU	District Planning and Coordinating Unit
DPCU	District Planning and Coordinating Unit
FGD	Focus Group Discussion
FRC	Fourth Republican Constitution
GES	Ghana Education Service
GTZ	German International Cooperation
HIPC	Highly Indebted Poor Countries
HIV	Human Immune Virus
IGF	Internal Generated Funds
LGA	Local Government Act
LGSA	Local Government Service Act
MDAs	Ministries Department and Agencies
MDAs	Ministries, Departments and Agencies
MMDAs	Metropolitan/Municipal/District Assemblies
MOFEP	Ministry of Finance and Economic Planning
MOLGRD	Ministry of Local Government and Rural Development

MTEP	Medium Term Expenditure Framework
NDPC	National Development Planning Commission
NGOs	Non-Governmental Organizations
NHIS	National Health Insurance Scheme
NLGS	New Local Government System
PNDC	Provisional National Defence Council
PNDC/L	Provisional National Defence Council Law
RCC	Regional Coordinating Council
RPCU	Regional Planning and Coordinating Unit
SMCD	Supreme Military Council Decree
TVA	Tennessee Valley Authority
UK	United Kingdom
UNICEF	United Nations International Children Education Fund
MDGs	Millennium Development Goals



## CHAPTER ONE

### OVERVIEW OF THE STUDY

#### 1.1 Introduction

Local governance in Ghana is a developmental strategy with its focus on local participation. The earliest attempts at local administration during the colonial era were with the native authorities which centered around a chief, some unit of local royalty which was not clearly defined. The native authorities were not democratic but were mere representatives. Their main interests were to help the British colonial government, with limited involvement in local administration, to administer law and order.

However, after independence Ghana went through a lot of policy initiatives as far as local governance was concerned. For the sake of this work, the new local government system of Ghana would be considered.

The new Local Government System is the decentralization policy. This policy has its legal basis from the Local Government Law (PNDC Law 207, 1988). With the inception of democratic governance in Ghana, the 1992 constitution replaced the PNDC Law 207 with the Local Government Act, 1993 (Act 462).

Decentralization is a generic term that refers to the transfer of authority to plan, make policy decisions and to carry out public functions from the national to the sub-national level. One may distinguish three major forms of decentralization according to the degree of transfer of power. These are devolution, de-concentration and delegation. The idea of grassroots participation in governance is the policy thrust of the decentralization strategy as a development paradigm to pave way for people at the local level to have the feel of governance and contribute their quota to decision-making. This strategy has been given legal backing in the 1992 constitution. Article 35 section 6 (d) enjoins the state to involve ordinary citizens in the decision making process. It states “make democracy a reality by decentralizing the administrative and financial machinery of government to the regions and districts and by affording all

possible opportunities to the people to participate in decision- making at every level in national life and in government.”

Also Article 240 section 2 (e) refers to a decentralized local government “to ensure the accountability of local government authorities, people in particular local government areas shall, as far as practicable, be afforded the opportunity to participate effectively in their governance”. The Act 462 has it that “to promote popular participation and ownership of government by shifting the process of governance from command to consultative processes and by devolving power, competence and resources to the district level.”

Decentralization as defined by Cheema and Rondineli (1983: p.17) is “ the transfer of planning decision-making or administrative authority from central government to its field organizations, local administrative units, semi-autonomous and parastatal organizations, local government or non- governmental organizations.”

The type of decentralization adopted in Ghana for local development is the devolution type, which gives discretionary authority to local government bodies to make and implement decisions so far as the socio-economic development of that government’s area of jurisdiction is concerned. The districts form the pivot of the decentralization policy at the local level.

There are four components of Ghana’s decentralization policy. These are political, administrative, development planning and financial.

Political decentralization aims at democratizing state power, as a means of sharing political authority, with sub-national units in order to promote effective community participation in managing their own affairs. It includes the exercise of discretionary authority by the district assemblies over both central government financial transfers and locally generated revenue.

The political decentralization was established through the Local Government Act 1993 (Act 462) which made the District Assembly the highest political and administrative authority in the Districts

Administrative decentralization, promoted by the Civil Service Law 1993, PNDC Law 327, creates a decentralized Civil Service, while Local Government Act 1993

(Act 462) establishes 13 departments of Municipal Assemblies and 11 departments of District Assemblies, which are to perform the functions formerly performed by the 22 central government agencies at the District level. Local Government Act 1993 (Act 462) also empowers the District Assemblies to prepare, administer and control the budgetary allocations of these departments. These arrangements are to give the District Assemblies the requisite bureaucratic, technocratic and effective institutional support for the performance of their functions.

Decentralized development planning was established by the National Development Planning System Act 1994, (Act 480) which sets in motion the process of planning with the bottom-up approach and emphasizes the democratic element of public consultation and participation.

The idea is not only to diffuse sufficiently the planning decision making process but to ensure community acceptance, support and participation in the outcome of the development process.

District Assemblies in Ghana are to serve as facilitators or promoters of economic development at the local level based on people's aspirations. The task of developing the Districts in Ghana depends on the sum total of the efforts of the districts in properly mobilizing available human, physical and economic potentials to implement programmes identified and accepted as priority areas for the districts.

Since 1988 there has been a move towards decentralization in Ghana with trends towards increased devolution of power from the central authorities to local government in development decision-making. The District Assembly has become an important channel by which people participate in decision-making in their districts. The district has thus been as an appropriate geographical level at which to establish local government and has become the main focus of development.

In Ghana, District Assemblies spend a greater proportion of their resources on the provision of social and economic infrastructure such as schools, clinics, sanitary facilities and roads among others. It is a fact that the District Assemblies are to provide these as base for development. However, the sources of funding and their sustainability has always been a challenge to most districts in Ghana.

The Local Government Act, 1993, Act 462, section 10 states that “a District Assembly shall exercise political and administrative authority in the District, provide guidance, give direction to and supervise all other administrative authorities in the District”. Sub section 3 of Act 462 also states that without prejudice to the above function the District Assembly shall be responsible for the overall development of the District. Sub section 3 also states among others that the District Assembly shall:

- Formulate and execute plans, programmes and strategies for the effective mobilization of the resources necessary for overall development of the district.
- Initiate programmes for the development of basic infrastructure and provide municipal works and services in the district.
- Initiate, sponsor or carry out such studies as may be necessary for the discharge of any of the functions conferred by this Act or any other enactment.

These clauses stated above emphasize the social and economic development roles to be played by District Assemblies in the promotion of economic dimension of development at the local level. However, the engine of development that is the funds which are to ensure that medium term development plans of Assemblies are implemented is being down played as most of District Medium Term Development Plans (DMTDPs) are not executed during the plan period. The funds for the development of the Districts emanate from both internal and external sources and their sustainability must be critically examined if Districts will want to fulfill their developmental objectives. It is a common knowledge that most projects are hanging due to lack of funds for their completion.

## **1.2 Problem Statement**

The financial component of the policy of decentralization is very important, because it is the live-wire and prime mover of the entire policy. Ilunes and Bileen (1969) emphasized that “the authority and competence of a local government to under-take functions is generally useless unless it has the financial power or means to under-take the task. The two most important criteria for determining the financial autonomy of a local unit are its total income and the extent to which the use of this income is regulated by the central government. The backbone of local government is financial

autonomy through the utilization of adequate resources without central government interference.”

Financial decentralization is intended to facilitate the process of the policy, where districts are expected to have the power to use central government monetary transfers, development partners’ support and internally generated funds as they deem necessary, based on local needs and subject to broad national guidelines. Each of these components is designed to promote local governance and development.

Many decentralization programmes fail because of lack of appropriate policy and legislative changes to accompany the transfer of financial resources to local levels of government to ensure that they execute the functions legally devolved to them (Conyers ,1990:). Often, the measures put in place to effect this transfer do not grant local government units sufficient control over the financial resources that they need to perform the devolved functions. Revenue sources assigned to districts are locally based and depend on the economic viability of the District which poses a challenge to the stability of revenue sources.

The District Assembly Common Fund which constitutes the biggest chunk of revenue to most District Assemblies, is sometimes restricted to development projects within specified sectors regardless of whether they conform to local priorities or not. This fund is also not timely and as a result, Districts cannot predict when it comes and this phenomenon has an adverse effect on the planning and implementation of development projects in the various Districts. This situation is also applicable to development partners as in most cases they are projects specific.

In view of the guidelines at the sixth schedule of Act 462, mobilization, allocation and management of financial resources, Districts in Ghana seem not to have substantial financial autonomy.

Cheema and Rondinelli (1983), in analyzing a number of developing countries have noted “local governments and sub- national administrative units in most developing countries lack both the resources and authority to raise sufficient revenue to carry out the tasks transferred from the centre.”

The issue in Ghana is however, more than simply a lack of resources but a neglect of potentials that are in the Districts which can be mobilized effectively to help reduce the numerous social and economic problems in the Districts.

### **1.3 Research Questions**

The following research questions emerge from the foregoing discussions, which are addressed in this study.

- (i) How sustainable are the sources of funding that accrue to the Metropolitan Municipal and District Assemblies (MMDAs)?
- (ii) Are Metropolitan Municipal and District Assemblies (MMDAs) mobilizing sufficient revenue for local development?
- (iii) What are the challenges of Metropolitan Municipal and District Assemblies (MMDAs) with regards to the mobilization of revenue?

### **Key Assumption**

The objectives of the research are based on the premise that the most reliable and sustainable source of funding to District Assemblies is the internally generated funds, which the Assemblies have total control over, especially, its sources and usage.

### **1.4 Objectives of the Study**

The objectives of the work are categorized into two fold; the first is made up of the general objective and the second constitutes the operative objectives of the study.

The general objective is to recommend sustainable revenue mobilization sources which will make MMDAs more responsive to the provision of socio-economic infrastructure to improve the welfare of the people. Thus the focus of the study is on the improvement of the Assemblies' financial resources.

#### 1.4.1 Operative Objectives are to:

- (i) Examine the revenue sources of MMDAs and their sustainability.
- (ii) Examine the quantum of revenue accrued to the Assemblies from 2005-2009.
- (iii) Examine the challenges faced by MMDAs regarding their funds mobilization.
- (iv) Based on the findings from the above, recommend ways in which MMDAs can improve upon their revenue mobilization procedures and application of sustainability measures.

#### 1.5 Justification

As stated in the Ghana Poverty Reduction Strategy I, five out of the 10 regions in Ghana had more than 40 percent of the population living in poverty with the worst situation in the three northern savannah regions and the central region. It is also estimated that about 40 percent of the people of Africa live on less than one dollar a day. Poverty reduction has taken a centre stage in the development policies of many developing countries.

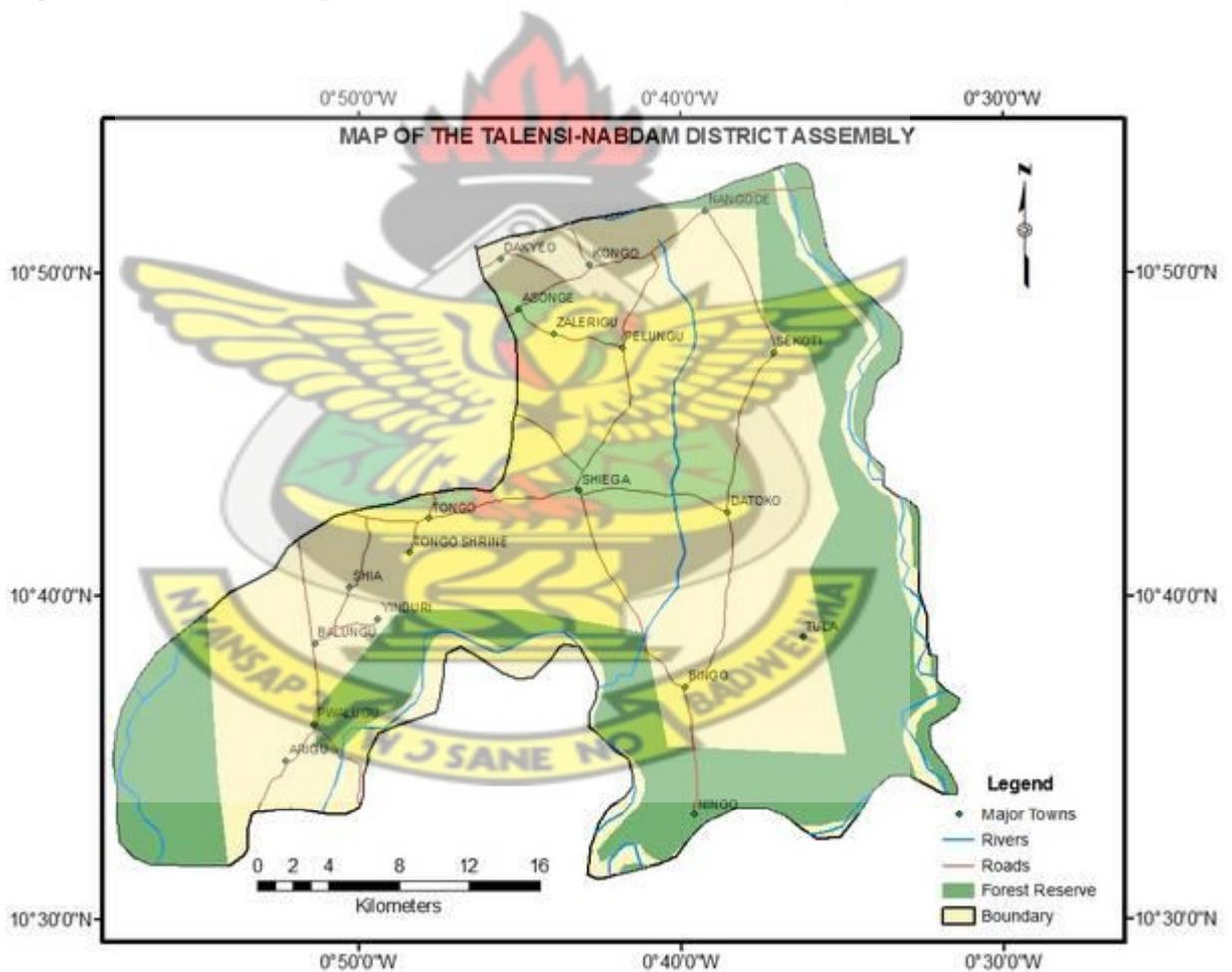
This orientation has been necessitated by the tragic consequences of absolute poverty; District Assemblies as established by the decentralization policy have been undertaking a number of programmes and projects geared towards poverty reduction for which sustainable revenue is a critical component. It is a fact that financial inadequacy is one of the main challenges facing Metropolitan, Municipal and District Assemblies (MMDAs) hence the research.

District Assemblies can only improve the well-being of their people if only resources are available and sustainable. This study will help identify revenue avenues and recommend their sustainability measures that in the long run improve the revenue base of the District Assemblies. More specifically, this is critical for addressing the problem of non-implementation of Development Plans.

## 1.6 Scope of the Study

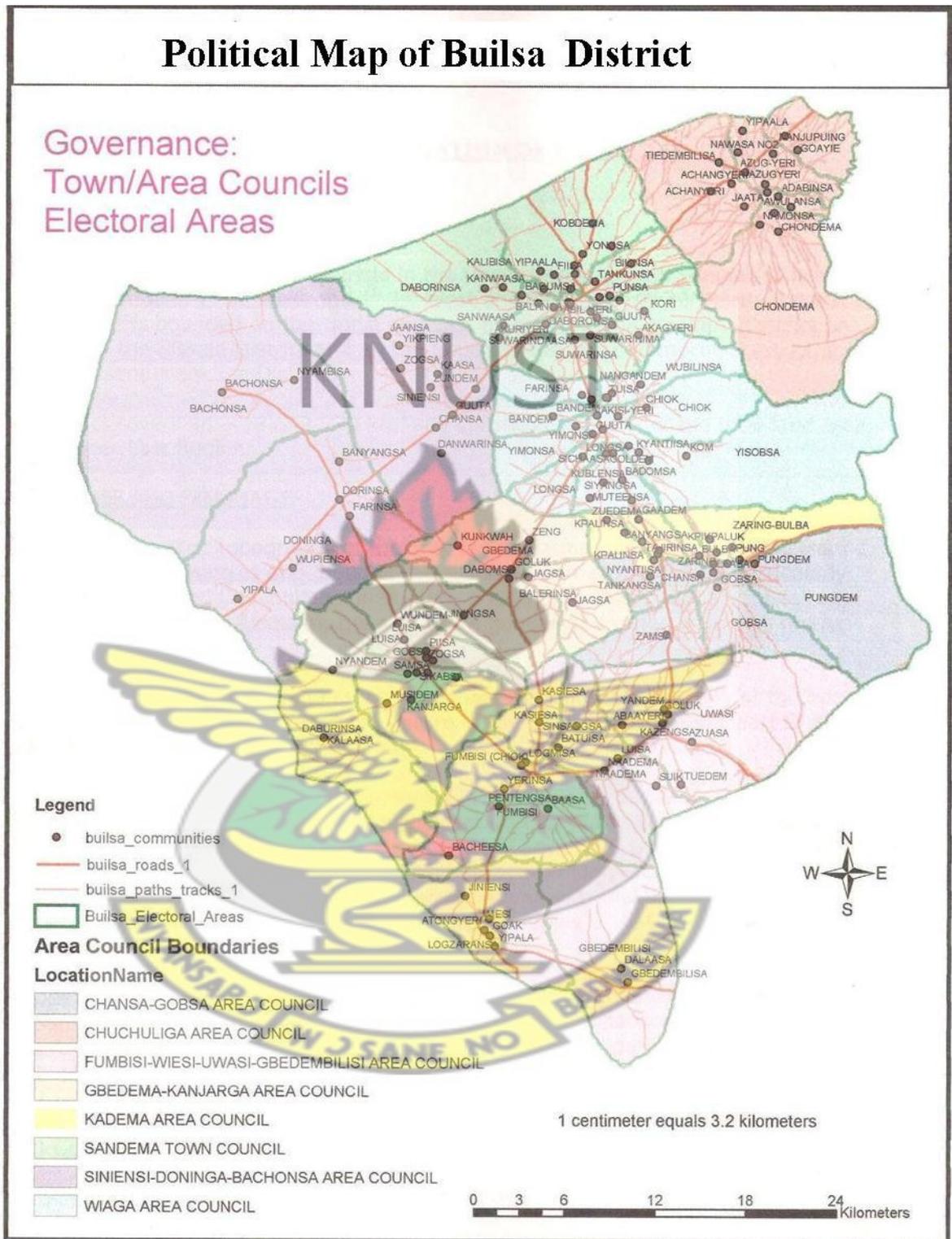
Geographically: the study was limited to the Upper East Region of Ghana. Two Districts and one Municipality were purposefully selected. These were Builsa, Talensi Nabdam districts and Bolgatanga municipality. This selection was based on the fact that Builsa District is an old District, Nabdam is a new District and Bolgatanga is a Municipality. These Assemblies are at different pedestals in terms of status and economic activities hence data from them would reflect the real situation of the Assemblies in the Upper East Region.

**Figure 1.1 Political Map of Talensi-Nabdam District Assembly**



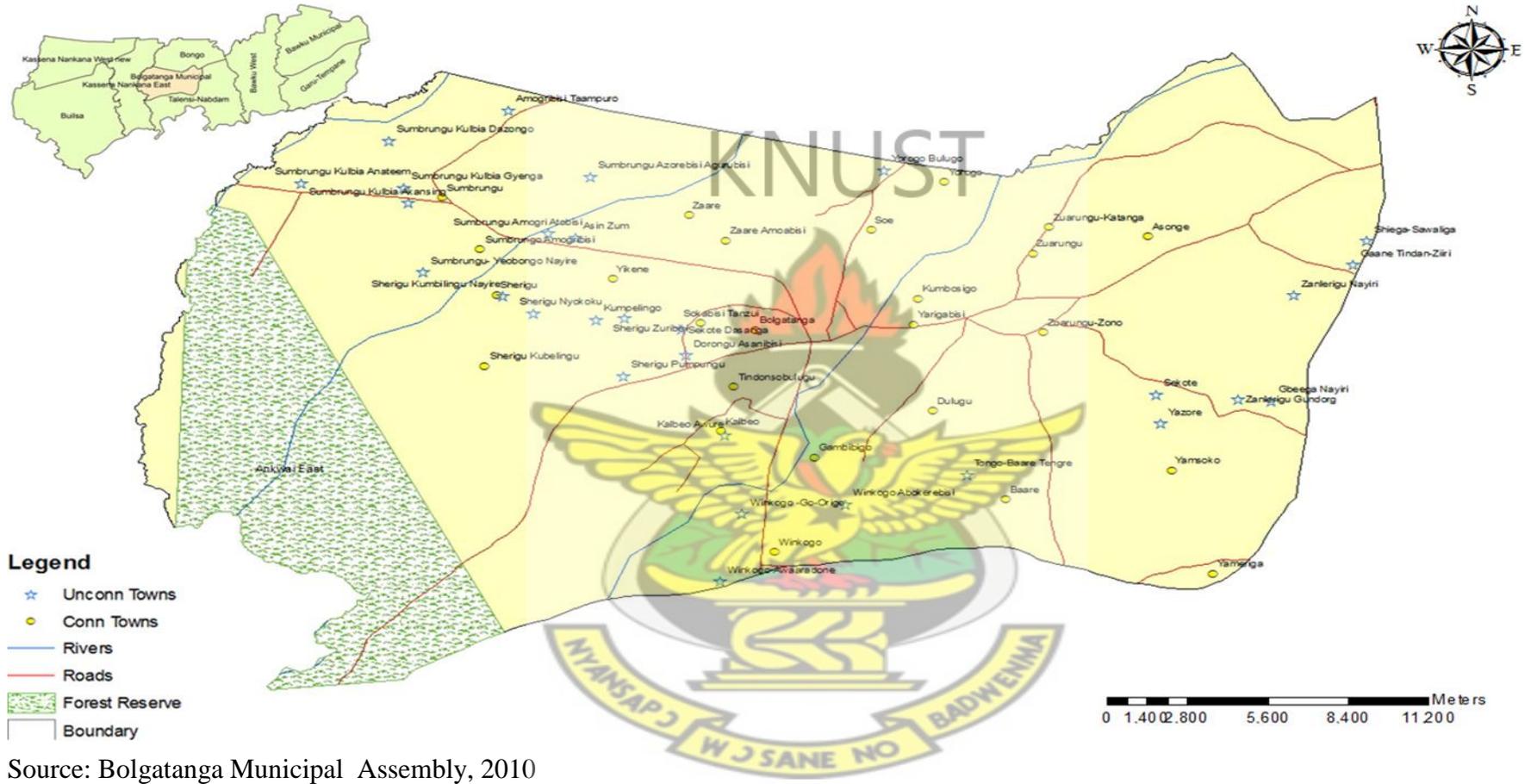
Source: Talensi-Nabdam District Assembly, 2010

Figure 1.2 Political Map of Builsa District Assembly



Source: Builsa District Assembly, 2010

Figure 1.3 Political Map of Bolgatanga Municipal Assembly



Source: Bolgatanga Municipal Assembly, 2010

Contextually: in order to have in-depth information pertaining to the issue at stake, the study covered institutions involved in the decentralization process with the view to examine the funding sources and how sustainable are they to the Assemblies. The focus was on the fiscal decentralization, various sources of funding, sustainability indicators, and local development. The study also covered the legal, institutional and regulatory framework of the decentralization in Ghana. Though the decentralization policy has been in place since 1988, the study covered from 2005 to 2009.

### **1.7 Limitations of the Study**

In the course of the study, certain challenges encountered by the researcher included: cost in terms of financial resources, co-operational challenges from secondary data sources and low level of formal education in communities increased the task of the researcher in the interpretation of the questionnaires to respondents. These limitations, though challenging did not in any way pose serious threat to the author in obtaining accurate and reliable data.

### **1.8 Organization of the Report**

The research is organized into five chapters. Chapter one, the introductory chapter deals with the background of the study, problem statement, objectives and scope of the study as well as justification and limitations of the study.

Chapter Two discusses the conceptual framework that guided the investigations throughout its execution. Included in this chapter is a brief review of the concept of decentralization, sources of funding to Assemblies both internal and external and the concept of sustainability. Chapter Three is the research approach and methodology. It discusses the modes of inquiry employed in the data gathering and analysis and a description of the research process that was followed throughout the investigation.

Chapter Four is an analysis of data gathered through the field survey. Chapter Five contains a discussion of the findings, recommendations and possible courses of action the author considers pertinent for addressing the complex and challenging phenomenon of funding to Assemblies within the decentralized planning system in Ghana. The study ends with a list of main reference materials reviewed and consulted throughout the investigation, as well as a range of relevant, illustrative and supportive appendices.

## CHAPTER TWO

### ANALYTICAL FRAMEWORK OF SOURCES AND THEIR SUSTAINABILITY OF FUNDING TO MMDAs

#### 2.1 Introduction

For any effective research, a sound theoretical base is required. In consonance with this thinking, this section examines the relevant available literature as it contributes to the understanding of the issues in perspective.

We live in a golden era of decentralization. Support for shifting power to local tiers of government has never been higher. This perspective is grounded in the belief that doing so will increase government responsiveness and accountability to citizens, increase government flexibility to address the diverse needs of often highly heterogeneous populations, reduce corruption through enhanced oversight, and foster the dispersal of power from what have often been highly monopolized political structures, among other attributes. In the process, it is argued, decentralization will augment greater political legitimacy while strengthening a sense of citizen ownership of their government ( Cheema and Roondinelli 1983).

#### 2.2 Decentralization as a Development strategy

As a development strategy, decentralization is a complex phenomenon and is not easy to define. This is because decentralization takes many forms and has several dimensions, which may be operating in different variants at different times within a country. The complexity inherent in the decentralization process is further aggravated by its widespread, crosscutting effects and institutional differences. Thus, the United Nations (1962) provides a standard definition of decentralization. It defines decentralization as “the transfer of authority on a geographic basis whether by deconcentration of administrative authority to field units of same department or level of government, or by the political devolution of authority to local government units, or by delegation to special statutory bodies”. Subsequent attempts to define the concept have been further elaborations of this definition. For instance, Cheema and Rondinelli (1983) define decentralization broadly to mean “the transfer of planning, decision-making, or administrative authority from the central government to its field

organizations, local administrative units, semi-autonomous organizations, local governments, or non-government organization”. This definition has introduced a new element to the concept to include the transfer of functions to non-governmental organizations and the private sector. Other definitions will be seen in the following discussions on the forms of decentralization.

## **2.3 Forms of Decentralization**

The nature and extent to which authority to decide, plan and manage is transferred from the central government to lower level organizations is an indicator of the form of decentralization in practice. Four forms of decentralization -deconcentration, delegation, devolution and privatization are often distinguished in the literature (Rondinelli, 1983, Rondinelli 1989; Cheema and Rondinelli, 1983 Conyers, 1983).

### **2.3.1 Deconcentration**

Decentralization by deconcentration occurs when the central government redistributes responsibilities for certain functions to its regional branches or field units of the central administration. Thus, Smith (1967) defines it as the delegation of authority to make administrative decisions on behalf of the central administration to public servants working in the field and responsible for government policy within their territories. Deconcentration entails a transfer of administrative authority from the centre to field administrators. This does not involve any real transfer of authority to lower levels of government or to the field administration and it is unlikely to lead to the potential benefits of decentralization.

The decentralization that has occurred in some developing countries with a unitary system of government follows this pattern of deconcentration, to shift the workload of central ministries to the field staff located outside the national capital, without also giving them discretionary powers. Fesler (1968) argues that deconcentration may not really be decentralization because it may not provide the opportunity to exercise substantial local discretion in decision-making although it may promote a feeling that government is close to the people.

Independent local governments that are legally accountable to local constituents do not exist in a deconcentrated system, and local field offices of the central government

are simply used to improve the efficiency and effectiveness of public services delivery systems. This is the case in some African and East Asian countries that are experimenting on decentralization. Deconcentration can also exist for some public functions in countries with a federal system of government, when the central government maintains a strong interest in ensuring the delivery of particular service. Though not sufficient in itself, deconcentration could be a first step towards full decentralization of authority and power, as it will promote a better understanding between government and the people which would lead to new ideas, practices and greater decentralization.

### 2.3.2 Delegation

Delegation is the transfer of decision-making and management authorities for specific public functions to semi-autonomous organizations or parastatals often located outside the regular governmental structure but are accountable and responsible to government. The delegation of functions from the central government to such organizations as public corporations, multipurpose functional authorities, planning and development authorities represents a more extensive form of decentralization than administrative deconcentration because some degree of discretion is usually exercised by these bodies. It is a functional decentralization.

Public corporations and development authorities have been used extensively in Africa and Asia to implement development schemes. This was part of the western public administration theorists' prescription for administrative reform and modernization in the 1960s and 1970s to undercut or bypass the normal government machinery and endow the parastatals with developmental drive, coherence and authority to plan and pursue economic development (Boodhoo, 1976). Administrative theorists used the Tennessee Valley Authority (TVA) as the implicit model and argued that public corporations or regional development authorities had distinct advantages over regular government agencies in making expeditious decision free from the bureaucratic red tape of political manoeuvrings of governments. Public corporations and special development authorities have been used to plan, finance, implement and manage infrastructure projects in Africa such as highways, dams, hydroelectric power facilities, transportation systems, water supply systems, and integrated rural development programmes.

### 2.3.3 Devolution

Devolution is the transfer of authority for decision-making, finance and management to autonomous units of local government. It includes the transfer of responsibilities for local service provision to local governments, to elect their own officials and have independent authority for revenue and expenditure decisions. In a truly devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions (Rondinelli, 1998) for which they are held accountable. It seeks to create or strengthen independent levels of government through the transfer of functions and authority outside the direct control of the central government. Devolution is the most favoured form of decentralization in the literature because it gives powers to the local people to decide on their own affairs.

### 2.3.4 Privatization

This is the transfer of some planning and administrative responsibility, or of public functions, from government to voluntary, private and non-governmental organizations. Government may transfer to membership organizations the right to license, regulate or supervise their members in performing functions that were previously controlled by it. In some cases, government may decentralize by shifting responsibility for producing and providing goods and services to the private sector. More often, government transfers responsibilities to or shares them with organizations that represent various interests in the society such as co-operative societies, credit associations, town or village development committees, women and youth associations, church and community-based organizations. This form of decentralization emphasizes broad based participation of the people in the decision making process instead of the decisions made primarily by government legislation or administrative regulation. It can also take the form of deregulation or divestiture whereby government opens up the economy to more private sector participation.

## 2.4 Fiscal Decentralization

The most common theoretical rationale for decentralization is to attain allocation efficiency among different local preferences for public goods and services (Musgrave, 1983; Oates, 1972). It is widely felt that for some services especially at the local level, a decentralized form of government can lead to lower cost and better quality services delivery. Financial responsibility is a core component of decentralization. If decentralized units are to carry out their functions effectively, they must have adequate level of revenues raised locally and/or transferred from the central government as well as the authority to make decisions about expenditures. This process of distribution of public finance and responsibilities to the various levels of government within a country (and the private sector) is usually referred to as fiscal decentralization. The emphasis on fiscal decentralization is to strengthen sub national government finances and thus their capacity to provide public goods and services. The idea is to give local governments some revenue powers and expenditure responsibility, and allow them to decide on the level and structure of their expenditure budgets. In this way, the local people will be able to articulate their needs and preferences, and participate in governing their affairs. The net result would be better local services and a more satisfied electorate. Fiscal decentralization requires a strong local government with autonomy to make independent fiscal decisions.

## 2.5 Measuring Decentralization

While diversity in degree of decentralization across the world is a fact yet there is no consensus in the empirical literature over the questions like ‘which country is more decentralized?’ This is because decentralization is defined and measured differently in different studies (Sharma, 2006).

Sharma (2006) finds in his literature survey:

"On the basis of ‘decentralization instrument’ there are two strands in the literature that argue for two different approaches to measure fiscal autonomy. One gives more weightage to devolution of tax authority as an instrument of decentralization and hold it crucial for subnational autonomy, the other gives more weight to the nature of intergovernmental transfers (discretionary or not) as an instrument impacting upon the

subnational behaviour and effecting their autonomy and accountability. Thus former choose to focus on local fiscal policy i.e., the relationship between functions and allocated revenues while the latter pay attention to regulatory or financial mechanisms i.e. the nature of intergovernmental transfers".

Out of these two approaches, observes Sharma (2006), "when it comes to the measurement of fiscal decentralization 'the share of subnational functions and revenues' is considered the best indicator. This is because fiscal instruments are easier to measure while regulatory and financial instruments are extremely complex and difficult to measure statistically because nowhere transfers remain strictly confined to the technical objectives. Transfers pursue a mix of objectives and politically motivated transfers remain key part of the intergovernmental relations across the globe" (Sharma, 2006).

Schakel (2008) notes that various experts such as Akai and Sakata (2002;) Breuss and Eller (2004 ;) Ebel and Yilmaz (2002 ;) Fisman and Gatti (2002 ;) Panizza (1999 ;) Sharma (2006,) have found the fiscal indicators on the expenditure side to be quite problematic for capturing decision-making decentralization. Schakel (2008) argues "it is difficult to tell whether the expenditure is coming from conditional or unconditional grants, whether the central government is determining how the money should be spent, whether it is setting the framework legislation within which subnational governments implement, or whether indeed, subnational governments are spending the money autonomously".

Sharma (2006) states, "a true assessment of the degree of decentralization in a country can be made only if a comprehensive approach is adopted and rather than trying to simplify the syndrome of characteristics into the single dimension of autonomy, interrelationships of various dimensions of decentralization are taken into account." Local government is the lowest tier of government. It is closest to citizens and the community and therefore known as 'local'. It has an extremely important role to play as an agent of social change and development, as it represents the interests of a particular locality at the micro-level, leading to a broader concept of the welfare and happiness of its people (Alam and Nickson, 2006). The domain of local councils encompasses virtually every problem that citizens face in their day-to-day lives. It extends from birth to death, and includes water supply, sanitation, education, health,

refuse disposal, roads and town planning. For the sake of brevity, suffice it to say that most of the utilities and services necessary for life in contemporary society are provided by local government. In many countries, local councils also serve as conciliation courts that resolve petty disputes at local level. Because of this universality of the basic functions performed and the responsibilities shouldered by local bodies, local government is the most important tier of government for ordinary citizens. In their daily lives, they rarely have contact with higher tiers of government.

Local governance is a broader concept that includes the direct, as well as the indirect, roles of state institutions (including local governments) and informal networks that define citizen–citizen and citizen–state relationships (Shah, 2006). Local governments are specific entities at sub-national level created by national or sub-national statutes. They have political authority, but are not necessarily elected. Different countries have different systems of appointment, including direct nomination by central government. Government at local level can also be through agencies of central or sub-national government.

A major part of the current policy debate revolves around the decentralisation of power from central to local government. In a departure from the old policy of state withdrawal from the provision of services, the move now is for these to be decentralised. The concept is to pass power downwards to someone ‘closer’ to the people who use the services (Turner, 1999). Reasons for decentralisation differ from country to country and the pace of reform varies significantly. In some countries, e.g. Scotland in the UK, decentralisation has been undertaken to accommodate regional aspirations. In other cases, the rationale has been to avoid secessionist forces, e.g. in Sri Lanka and Nigeria. National reconstruction has often been the basis for creating effective local government, e.g. in Uganda and South Africa. Decentralisation has also been used in federal countries to disperse power away from the central government and create strong provincial governments, e.g. in Pakistan and India. There has been pressure from the World Bank and other donors for decentralisation, especially for better service delivery (Devas, 2006).

Notwithstanding the political and social pressures for decentralisation, the underlying administrative rationale has been to improve efficiency and create better service delivery, especially when central planning has not been found to be very efficient

(Ribot, 2002). It is also believed that decentralisation increases accountability and transparency and improves governance, which is not always the case because of the low level of awareness among voters of their rights and of the responsibilities of their elected representatives (Duncan, 2005).

African countries have undergone waves of decentralization reforms since their independence. There is a long history of local government and decentralization in different traditions, starting from pre-colonial authorities, colonial administration and post-independence local government reform initiatives (Loquai and Le All Bay, 2007).

## **2.6 Policy Framework of Ghana's Decentralisation Concept.**

The decentralisation policy seeks to establish decentralised administration through the transfer of authority, functions, means of competence from the central government Ministries, Departments and Agencies (MDAs) to the sub national institutions such as the Regional Co-ordinating Councils and the Metropolitan, Municipal and District Assemblies (MMDAs) to enhance the capacity of the public sector to plan, manage and monitor social, spatial and economic development. In specific terms, the policy seeks to achieve the following:

- Promote popular participation in the decision making process;
- Promote good governance at the local level; and
- enhance efficiency and effectiveness of the entire government machinery.
- The policy aims at devolving central administrative authority and divesting implementation responsibility to the district level. It further aims at fusing governmental agencies at the regional and district levels into one administrative unit, through the processes of institutional integration, manpower absorption, composite budgeting and the provision of funds for decentralized services; and
- The policy re-assigns functions by entrusting policy planning, monitoring, evaluation and promotion to the headquarters organizations of MDAs, programme coordination and monitoring to Regional Co-ordinating Councils whilst the District Assemblies become responsible for implementing development programmes. District Assemblies have thus become the focal points for all development activities at the local level.

Under the decentralization policy, development becomes a shared responsibility of the Government, District Assemblies, civil society organizations, and private sector and beneficiary communities. The policy is designed so as to make District Assemblies more autonomous, more responsive to local needs and technically and financially capable of expanding and improving service delivery.

The broad features of the decentralisation policy have been enshrined in Chapter Twenty of the 1992 Fourth Republican Constitution and in the Local Government Act of 1993, (Act 462). In addition, the following supporting legislations give legal backing to facilitate the policy implementation:

- The Civil Service Law, 1993 (PNDC Law 327)
- The National Development Planning Commission Act, 1994 (Act 479)
- The National Development Planning Systems Act, 1994 (Act 480)
- The Local Government (Urban, Zonal, Area and Town Councils and Unit Committees) Establishment Instrument; 1994 (L.I. 1589)
- The District Assemblies Common Fund Act, 1993 (Act 455)
- The Local Government Service Act 2003, (Act 656)

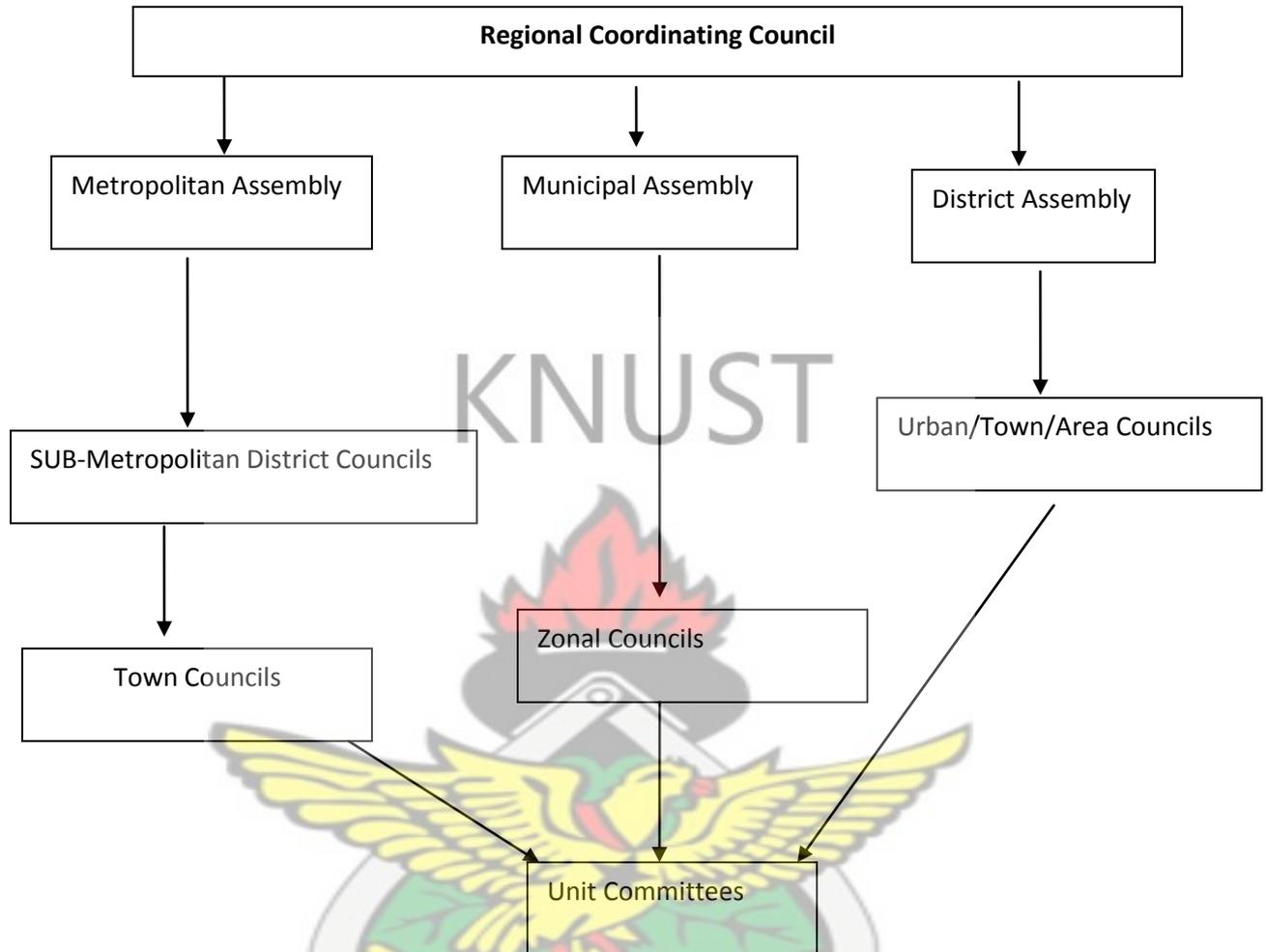
This is geared towards effective decentralization of the machinery of government and the integration of decentralized departments at the regional and district levels into single administrative units to facilitate coordinated development and efficient utilization of resources.

#### 2.6.1 Structure of the New Local Government System

The new local government system is made up of the

- Regional Coordinating Councils (RCCs)
- Four-tier Metropolitan and
- Three-tier Municipal/District Assemblies

**Figure 2.1 New Local Government Structure**



Source: Ministry of Local Government and Rural Development

The District Assembly system started in 1988 with the promulgation of the People’s National Defence Council Law (PNDCL) 207. The system was concretized by the 1992 Fourth Republican Constitution and the passage of the Local Government Act of 1993, (Act 462).

### 2.6.2 Metropolitan/Municipal/District Assemblies (MMDAs)

The three main types of DAs in Ghana are:

- Metropolitan Assemblies (population over 250 000)
- Municipal Assemblies (one town assemblies with populations over 95 000) and
- District Assemblies (population 75 000 and over.)

- There are six (6) Metropolitan Assemblies (Accra, Tema, Cape Coast, Sekondi Takoradi, Kumasi and Tamale), 35 Municipal Assemblies and 129 DAs add-up to 170 (2008).

## 2.7 Local Government Finance

Finance Public money is ‘public’ as this is contributed by taxpayers, and it is a matter of administrative convenience which level of government collects which revenues (Devas, 2006). Finance is a critical determinant of the effective performance of local governments. There are three important issues relating to local government finance: intergovernmental transfers, Assemblies’ own ability to mobilize financial resources, and effective and efficient use of those resources.

The sources of revenue that are available to local governments to translate power and competence at their disposal into development phenomenon – i.e. the resources with which to perform the transferred functions – forms the subject matter of local government financing. The financial provisions which are the powers to charge fees for the new local government system are contained in Articles 245 and 252 of the 1992 Constitution and section 34 of the Local Government Act, 1993, Act 462.

In the context of this study, financial resources mobilization is seen as revenue capacity of MMDAs. Assemblies mobilize funds from internal and external sources for financing of local activities. Revenue mobilization poses a constant challenge to Assemblies at all levels, as money is needed to finance public welfare programmes and development. Assemblies need financial resources to perform their decentralized functions of providing public services.

In general, MMDAs can raise revenue from internal sources like rates, lands, fees and fines, licenses, rent and investment income and from external sources like transfers, grants and borrowing or loans.

By the virtue of the 1992 Republic of Ghana Constitution, Article 240 (c) makes the MMDAs rating authorities. It specifically states that “there shall be established for each local government unit a sound financial base with adequate and reliable sources of revenue.” Article 252 creates the District Assemblies Common Fund (DACF). Local Government Act, 462 of 1993 section 10 (3) (a) (ii) “a District Assembly shall be responsible for the overall development of the District and shall ensure the

preparation and submission through the Regional Coordinating Council of development plans of the District to the National Development Planning Commission (NDPC) for approval and; of the budget of the District related to the approved plans to the Minister of Finance and Economic Planning for approval”. The Act 462 section 86 “states that in the Assemblies, revenue is to be collected by revenue units within the finance department with the help of the sub-structures. The DACF Act 1993 Act 455 (transfers 7/5% of national tax revenue to MMDAS.

Local government revenues refer to funds collected and received by Metropolitan, Municipal and District Assemblies (MMDAs). With these legal frameworks, and in pursuance of these provisions, local government have been mobilizing revenues from internal as well as external sources.

#### 2.7.1 Sources of Revenue to MMDAs

Revenues for local governments come from internal and external sources. These are briefly described below.

##### 2.7.1.1 Internal Revenue Sources

Internal revenue sources include tax and non-tax revenues. These constitute the local government independent revenue, as the proceeds from these sources accrue to the local government alone, based on the fiscal effort, the nature of the revenue base and the tax rate. Unlike external revenue sources, local governments have substantial control over the fiscal behaviour of internal revenue sources as they can influence the internal revenue base and tax rates. Tax revenue sources are local taxes and rates paid by residents of a local government area. They are mandatory and are payable by every resident for the general administration and development of the locality. Local taxes include basic rate, property rate and other special levies. These taxes are imposed by local government by laws, with approval from the Ministry of Local Government and Rural Development. At the local level, internal revenue sources have been categorized into six main sources which are rates, lands, fees and fines, licenses, rent and investment income through which local governments can mobilize revenue.

Non-tax revenues are derived from consumers of local services through user charges. The major difference between tax and non-tax revenues is that while tax revenue is payable by every taxable local resident, non-tax revenues are paid only by

beneficiaries who consume a particular local public good or service. Hence, whereas tax revenues are direct taxes, non-tax revenues are indirect taxes, with benefit principle.

#### 2.7.1.2 External Revenue Sources

These are revenues that accrue from outside the local government. The main feature of external revenue sources is that the local unit has very little or no control over their behaviour or outcomes and as such, dependence on them is not only unreliable but also limits the autonomy of the local unit. The MMDAs receive external funding from the central government through the District Assemblies Common Fund (DACF). Transfers: from District Development Fund (DDF), donor funds, ceded revenue and royalties. The DACF is one of the main sources of external revenue to MMDAs which is mandated by law, though not very regular and timely.

#### 2.7.1.3 Ceded Revenue

Ceded revenue is derived from selected revenue sources listed below which hitherto were tapped by the central government through the Internal Revenue Service, but which central government has “ceded” to the DAs, in pursuit of the operationalisation of the decentralization concept. The sources are:

- Entertainment duty under the Entertainments Duty Act 1962, (Act 150)
- Casino revenue under the Casino Revenue Tax Decree, 1973 (NRCD 200)
- Betting tax under the Betting Tax Act, 1965 (Act 268)
- Gambling tax under the Gambling Machines Decree, 1973 (NRCD 1974)
- Income Tax (Registration of Trade, Business, Profession or Vocation) Law, 1986 (PNDCL 156)
- Income tax payable by specified categories of self-employed persons in the informal sector
- daily transport tax under the Income Tax (Amendment) Law, 1987 (PNDCL177)
- Advertisement tax under the Advertisement Tax Decree, 1976 (SMCD 50).

The ceded revenue is centrally collected by the Internal Revenue Service and the total ceded revenue collected for a year is transferred to the Ministry of Local Government which shares it among the DAs using a formula approved annually by the Cabinet.

Other sources include: stool lands, timber and minerals royalties. These are collected by relevant central government agencies and transferred to specific Districts in which they are collected.

## **2.8 The Concept of Sustainability**

Sustainability generally refers to “meeting the needs of the present generation without compromising the needs of the future generations.” In a classical definition, a development path is sustainable “if and only if the stock of overall capital assets remains constant or rise over time.” Todaro (2009).

According to Stan Burkey, (1993) sustainability is ability of assemblies to rely, to a large extent, on their own human and material resources without much external transfer of resources, (1993). The emphasis here is on income and institutional sustainability rather than on environmental sustainability, although this may not be excluded completely as it is impossible to talk of sustainable livelihood without the environment. He notes that self-reliance should not be confused with self-sufficient.

According to Luke Ikeanyionwu for revenues sources to be sustainable, they would have to be high yield or performance, grow, stable and regular and timely. He refers to performance as the contribution of each source to the entire revenue structure. In other words, it is each source’s contribution to total revenue. If that contribution is colossal or significant that instrument should be maintained, if not its presence in the revenue structure should be questioned. Growth is the ability of Assemblies revenues to increase over time in order to meet the increasing expenditure. Stability refers to the frequency with which Assemblies revenues change over time. Regular and timely as far as internal and external revenues are concerned refer to the availability of funds from these sources within the planned period.

Sustainability of funds in this context could be seen as a regular, predictable, reliable and the authority to utilize the funds accrue without external control and restrictions. This would help Assemblies to function effectively and efficiently in providing services to the citizenry in order to improve upon their wellbeing.

## 2.9 Understanding the Concept of Development

Development is a value concept that has lent itself to various interpretations and definitions, according to each individual's value preferences. The absence of a commonly agreed universal definition or understanding of development results in what Musto (1985) refers to as a "crisis of theory" and states that after three decades of intensive reflection on development policy issues, we now know even less of what development actually mean". Development is a holistic concept that touches on every aspect of human life in cultural contexts. It evolves from the collective experience of a society and reflects societal values and preferences. Since development is a value word, there is no consensus as to its meaning. Pearce and David (1990) argue that what constitutes development depends on what societal goals are being advocated. Development is also an elusive concept, open to different meanings, perceptions and interpretations.

Hence, the classical and neo-classical economists defined development in terms of growth in the national wealth with respect to the gross national product and per capita income. It advocated for laissez-faire, that is, non-intervention of government in the economy, as development or economic growth will be achieved through the invisible hand of the market (Adam Smith, Mill, Marshall, Rostow, and so on). These growth theorists or apostles of free market focused on growth maximization and economic efficiency, while playing down on equity. It was considered that achievement of rapid and high growth rates in the gross national product required some levels of inequalities in income and wealth at least during the initial stages of growth. Thus development is conceptualized in terms of production and consumption of the material things of life –a process that recreates the industrialized world. Its emphasis is on economic growth or the process whereby the real per capita income of a country increases over a long period of time. This is emphasized as the primary objective of development because a continuous growth of the economy is a pre-requisite for poverty eradication, although there are other objectives such as distribution. Development is therefore seen as modernization of economic structures through heavy industrialization, with agriculture providing the big push. Development in this sense is also urban-driven and urban-biased, as development programmes and projects

are usually concentrated in the core cities while the rural hinterland (the periphery) is mostly ignored, thereby fostering a dualistic urban-rural economy.

The justification for the alienation or exclusion of rural areas at the initial stages of the development process came from the growth pole theory by Perroux and later development by Hirschmann (1958) and others. According to this theory, economic growth does not take place uniformly across regions of a country but is rather concentrated in poles, mainly major urban centres, which constitute the core of development activity. Development spreads from these poles to the periphery in terms of capital flows, innovation, know-how and markets, which constitute the trickle down or polarization effects. While acknowledging the existence of “negative polarization effects” by exploitation of rural agriculture to finance industrial, physical and social infrastructure investments at the poles (urban centre) to the neglect of the rural hinterland, the growth pole theorists believe that the benefits of growth would trickle down to the peripheral regions at a later phase of the development process.

The failure of growth-oriented development theories to redistribute the benefits of economic growth across regions as evidenced from the growing income inequalities between rich and poor people, urban and rural regions called to question the effectiveness of these theories in addressing the problems of developing countries. These problems include absolute and massive poverty, income and regional inequalities, declining agricultural productivity and food shortages, hunger and starvation, mass unemployment, rural-urban migration, population explosion, environmental degradation, falling commodity prices, high inflation and depreciating local currency, worsening balance of payments problems, external debt burden and mostly recently, the HIV/AIDS epidemic. The growth strategy could not be sustained in the midst of these overwhelming problems plaguing and devastating the poor countries of the world.

This provided the background for the emergence of welfare theories of development that emphasize values associated with the common good or public welfare. This viewpoint would tend to associate development with rising net income accompanied by reduction in poverty, unemployment and social inequality, and the satisfaction of the basic needs of the poor. The strategy is to direct public investment to rural areas, informal sectors and vulnerable populations so as to empower and enable the poor to

satisfy their own needs through their productive efforts and thus redistribute the benefits of growth in favor of the poor. While not abandoning growth, the welfare-oriented or growth with redistribution proponents including singer, Dudley Seers, Rains and others argue that growth alone could not be sustained in the midst of mass poverty, hunger, unemployment, diseases and glaring inequalities. The main elements of this new conceptual approach to development include:

- Satisfaction of basic human needs;
- Target group orientation to cater for the economic and social differentiation among regions and people;
- Production orientation as a precondition for redistribution, including access to productive resources (empowerment) through which people's potentials can be realized; and,
- Participation both in the benefits of development and in the decision making process (Waller, 1986 in, Fekade, 1994).

The welfare approach, through focusing on human welfare, participation, equity and social justice, has also its shortcomings (Lewis, 1986; Friedmann, 1988;) as the redistribution of productive resources to empower the people has not occurred while participation in the decision making processes especially political power is frustrated by weak democratic systems and centralized administrative institutions. For instance, on the administrative barriers to participation and development, Oakley (1991) points out that highly centralized administrative and government bureaucracies have proved to be obstacles to the participation of the poor in decision making and development. "These administrative structures retain control over decision making, resource allocation and information and knowledge which rural people will require if they are to play an effective part in development activities. Administrators in such structures tend to have a negative attitude towards the whole notion of people's participation. The result is that administrative procedures often become a minefield and an effective deterrent to rural people seeking direct involvement in or assistance from local administration." (quoted from Fekade, 1994).

Despite its shortcomings, there is considerable consensus that development should include the process of satisfying basic human needs-food, shelter, clothing, and

security among others. These should be attained not as goodwill gestures from the government, but primarily through people's efforts, hence their right to work, access to gainful employment, resources and decision making powers are conceptual elements of development. Beyond the satisfaction of basic needs, there is also a commonly accepted meaning of development especially in the context of local level development in Africa. For the local politician and the common man, development is about "modernization" or the acquisition of facilities, services and infrastructure associated with modernity (Oyugi, 2000). These include clean and safe water supply, health services, basic education, good roads, electricity, industries and employment, or generally referred to as "the good things of life".

## **2.10 The Millennium Development Goals**

The aim of the MDGs is to encourage development by improving social and economic conditions in the world's poorest countries. They derive from earlier international development targets, and were officially established following the Millennium Summit in 2000, where all

The MDGs originated from the Millennium Declaration produced by the United Nations. The Declaration asserts that every individual has the right to dignity, freedom, equality, a basic standard of living that includes freedom from hunger and violence, and encourages tolerance and solidarity. The MDGs were made to operationalize these ideas by setting targets and indicators for poverty reduction in order to achieve the rights set forth in the Declaration on a set fifteen-year timeline.

The MDGs also emphasize the role of developed countries in aiding developing countries, as outlined in Goal Eight. Goal Eight sets objectives and targets for developed countries to achieve a "global partnership for development" by supporting fair trade, debt relief for developing nations, increasing aid and access to affordable essential medicines, and encouraging technology transfer. Thus developing nations are not seen as left to achieve the MDGs on their own, but as a partner in the developing-developed compact to reduce world poverty.

## 2.10.1 Goals and targets of the millennium development goals

### Goal 1: Eradicate extreme poverty and hunger

- Target 1A: Halve the proportion of people living on less than \$1 a day
- Target 1B: Achieve Decent Employment for Women, Men, and Young People
- Target 1C: Halve the proportion of people who suffer from hunger

### Goal 2: Achieve universal primary education

- Target 2A: By 2015, all children can complete a full course of primary schooling, girls and boys

### Goal 3: Promote gender equality and empower women

- Target 3A: Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015

### Goal 4: Reduce child mortality rates

- Target 4A: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

### Goal 5: Improve maternal health

- Target 5A: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
- Target 5B: Achieve, by 2015, universal access to reproductive health

### Goal 6: Combat HIV/AIDS, malaria, and other diseases

- Target 6A: Have halted by 2015 and begun to reverse the spread of HIV/AIDS
- Target 6B: Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it
- Target 6C: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

### Goal 7: Ensure environmental sustainability

- Target 7A: Integrate the principles of sustainable development into country policies and programs; reverse loss of environmental resources
- Target 7B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss
- Target 7C: Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation (for more information see the entry on water supply)
- Target 7D: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers

### Goal 8: Develop a global partnership for development

- Target 8A: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system
- Target 8B: Address the Special Needs of the Least Developed Countries (LDC)
- Target 8C: Address the special needs of landlocked developing countries and small island developing States
- Target 8D: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term
- Target 8E: In co-operation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries
- Target 8F: In co-operation with the private sector, make available the benefits of new technologies, especially information and communications

#### 2.10.2 Progress made towards the achievement of the MDGs

Progress towards reaching the goals has been uneven. Some countries have achieved many of the goals, while others are not on track to realize any. The major countries that have been achieving their goals include China (whose poverty population has reduced from 452 million to 278 million) and India due to clear internal and external factors of population and economic development. However, areas needing the most

reduction, such as the Sub-Saharan Africa regions have yet to make any drastic changes in improving their quality of life. In the same time as China, Sub-Saharan Africa reduced their poverty about one percent, and are at a major risk of not meeting the MDGs by 2015. However, even though the poverty rates in sub-Saharan Africa decreased in a small percent, there are some successes regarding millennium development goals in sub-Saharan Africa. In the case of MDG 1, sub-Saharan region started to eradicate poverty by strengthening the industry of rice production. Originally, rice production was one of the main problems since its production rate could not catch up the rapid population growth by mid-1990s. This caused great amount of rice imports and great costs for the governments reaching nearly US\$1 billion annually. In addition, farmers in Africa suffered from finding the suitable species of rice that can well-adapt in their conditions with high-yield characteristic. Then, New Rice for Africa (NERCA) which is high-yielding and well adapting to the African conditions was developed and contributed to the food security in sub-Saharan regions including Congo Brazzaville, Côte d'Ivoire, the Democratic Republic of the Congo, Guinea, Kenya, Mali, Nigeria, Togo and Uganda. Now about 18 varieties of the hybrid species are available to rice farmers and for the first time many farmers are able to produce enough rice to feed their families and to gain profit at the market Sub-Saharan region also show improvement in the case of MDG 2. School fees that included Parent-Teacher Association and community contributions, textbook fees, compulsory uniforms and other charges were highly expensive in sub-Saharan Africa, taking up nearly a quarter of a poor family's income. This was one of the barriers for enrollment and thus, countries like Burundi, the Democratic Republic of the Congo, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Tanzania and Uganda have eliminated school fees. This resulted in the increase in student enrollment in several regions. For instance in Ghana, public school enrollment in the most deprived districts soared from 4.2 million to 5.4 million between 2004 and 2005. In Kenya, enrollment of primary school children surged significantly with 1.2 million extra increase of children in school in 2003 and by 2004, the number had climbed to 7.2 million. Fundamental issues will determine whether or not the MDGs are achieved, namely gender, the divide between the humanitarian and development agendas and economic growth, according to researchers at the Overseas Development Institute.

### 2.10.3 Challenges

Although developed countries' aids for the achievement of the MDGs have been rising over recent years, it has shown that more than half is towards debt relief owed by poor countries. As well, remaining aid money goes towards natural disaster relief and military aid which does not further the country into development. According to the United Nations Department of Economic and Social Affairs (2006), the 50 least developed countries only receive about one third of all aid that flows from developed countries, raising the issue of aid not moving from rich to poor depending on their development needs but rather from rich to their closest allies.

Many development experts question the MDGs model of transferring billions of dollars directly from the wealthy nation governments to the often bureaucratic or corrupt governments in developing countries. This form of aid has led to extensive cynicism by the general public in the wealthy nations, and hurts support for expanding badly needed aid.

### 2.11 Local Level Development

The definition of local development is very important in this study, as well as what constitutes local level. The term local has been defined as something “characteristic of or associated with a particular locality or area; concerned with or relating to a particular place or point in space; affecting or confined to a limited area or part” (the Collins English Dictionary, 1995). The conception of what is local therefore depends on the degree of identity shared among the inhabitants and which directly concerns or affects a specific area rather than a region or nation as a whole. The individual household or family constitutes the basic social unit, which expands to large forms of social and spatial organizations such as the village, community or town, district, region, nation, and even the international community. From this sociological perspective, the sense of identity and affection diminish with the expansion of the social unit and also with the increasing problems of human organization and collective action.

Upoff (1986) notes that what is local or what constitutes local level varies from one context to another. It depends on the size, population density, geographical and settlement pattern, historical and cultural affinity, political and administrative

arrangements of peoples and countries. When viewed from above, various levels of social and spatial organization for decision making emerge from the international level through the national to regional and individual household levels. There is consensus that the international, national and regional levels do not constitute what is local because these levels do not command the sense of identity, oneness, affection and ownership inherent in a local unit. In the context of this study and within the spatial, politico-administrative organization in Ghana, local level refers to the area from MMDAs level down to the individual household level.

Hence, local level development refers to the development taking place from the government level down to individual households where group or collective action is intensified with common identity, and sense of ownership and oneness. For instance, a feeder road, which connects communities to the district headquarters, is of local concern because it affects the accessibility of those communities to the rest of the district and generates a feeling of ownership and affection from within the locality.

On the other hand, a highway road network that links several states or regions is not of local concern because it does not directly affect any particular locality or group of localities, and does not fall directly within the purview of local government responsibility.

The Assemblies are at the centre of local development and have the constitutional responsibility to plan, implement, organize and co-ordinate development actions at the local level, for which revenue mobilization is critical.

## **2.12 The Conceptual Framework**

The conceptual framework attempts to pool together the important issues relevant to the study of assessing the sources and sustainability of funding to Assemblies and local development. This is done against the theoretical background, the existing body of knowledge and general understanding of the funding sources of the MMDAs. It tries to provide a better understanding of the key concepts of the study and their potential limits, as well as to clarify some of the issues relative to the research context. The emphasis of the study is on sustainable revenue to the MMDAs which are close to the people and their activities should reflect local needs and preferences in order to maximize public welfare. From this perspective, the main issues that constitute the analysis are:

- Revenue sources
- Revenue Sustainability
- Institutional capacity
- Local development

Revenue sources are areas in which MMDAs mobilize financial resources to perform their mandated functions. These sources are internal and external. The internal revenue sources include rates, lands fees charges and fines, licences, rent and investment income. While internal revenue sources include central government transfers, DACF transfers, transfers from District Development Fund (DDF), various donor funds, ceded revenue, royalties and private sector support.

Institutional capacity is a prerequisite for good revenue performance. The performance of revenue mobilization in the various MMDAs depends partly on the quality and productivity of its human resources. In terms of revenue mobilization, revenue collectors are motivated when they are given incentives and other benefits which would go a long way to boost their moral. On the other hand, if there are no incentives and conditions are poor, revenue collectors will be less committed to work and would even look elsewhere to make ends meet. This situation could lead to corrupt practices. Training is very crucial for capacity building and for strengthening existing capacity. It is necessary that revenue mobilizers are well informed about their roles, responsibilities and challenges, and are also equipped with adequate skills to enhance their capacity to realize their potential through regular training. The chain of command is important as it would assist to identify the system of roles and responsibilities that each and every one within the revenue mobilization arena performs. This is to avoid overlapping of functions and interferences.

Revenue sustainability is focused on revenue growth, stability and timely and regularly. Revenue growth refers to the ability of Assemblies revenues to increase over time in order to meet the increasing expenditure needs. Revenue stability refers to the frequency with which Assemblies revenues change over time. Timely and regularly refers to the accuracy and reliability of Assemblies revenue.

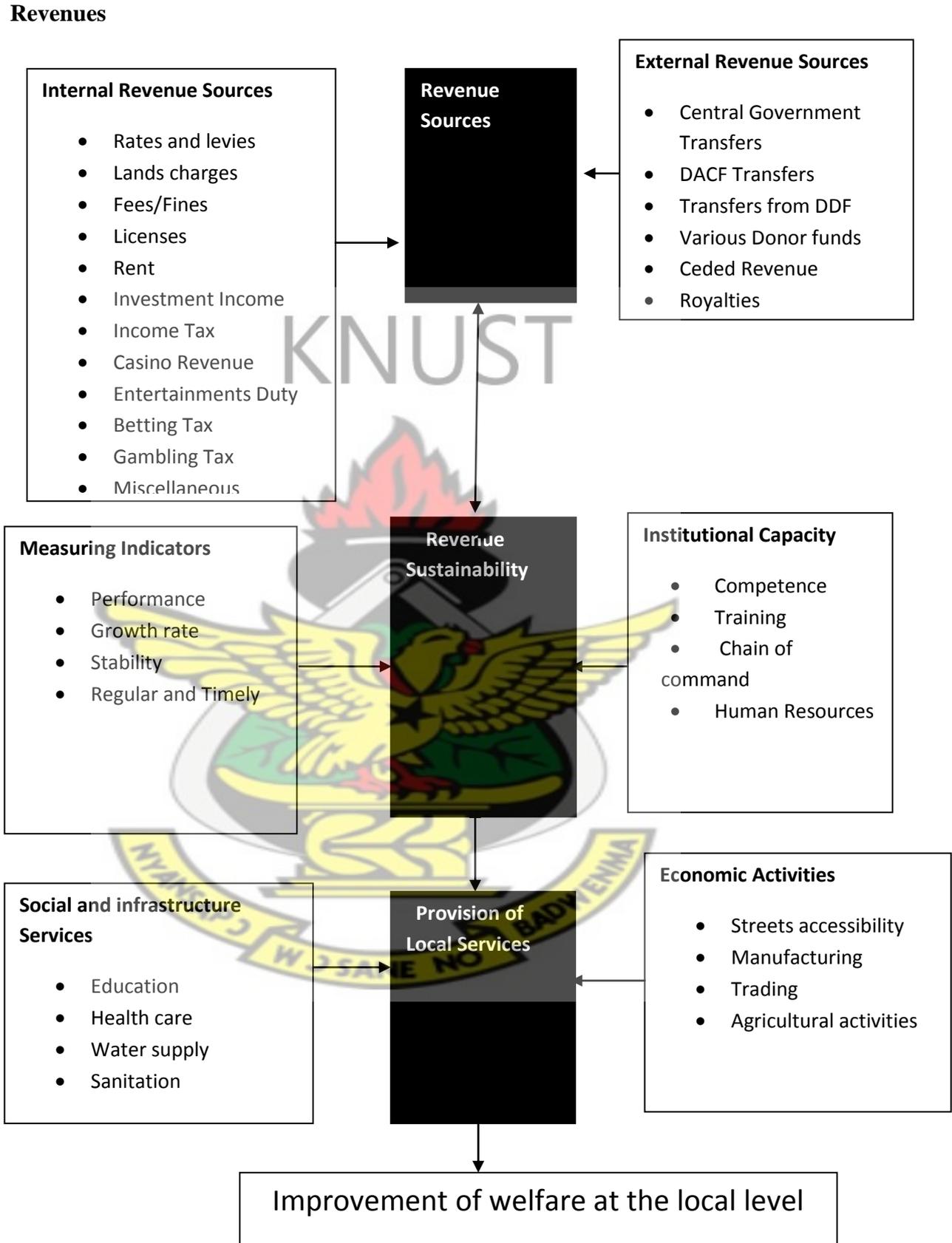
Local development is closer to the people and the Assemblies are at the centre of local development and have the constitutional responsibility to plan, implement, organize and co-ordinate development actions at the local level, for which revenue

mobilization is critical. If all these are properly done, the welfare of the people who are found at the local level would be improved tremendously, hence development

# KNUST



**Figure 2.2 Conceptual Framework of Sources and Sustainability of Assemblies' Revenues**



Source: Author's Construct

### 2.13 Conclusion

Decentralization seeks to redistribute authority, responsibility and financial resources for providing public services. It is the transfer of responsibility for the planning, financing and management of public functions from the central government to local governments in a transparent and participatory manner. It creates more space to exercise local customs and beliefs without fear of persecution, the risk of inter-group strife in ethnically diverse societies can be minimized. After all, the vast majority of a citizen's daily interactions with government are at the local level. If local government can be representative of and sensitive to the needs of citizens, tensions can be proactively redressed which will foster greater social and political stability and hence development.

Financial responsibility is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues either raised locally or transferred from the central government as well as the authority to make decisions about expenditures. The researcher is more concerned with this assertion as it is the bedrock upon which the success of the policy depends. The funding sources must be regular, reliable and local authorities be given the opportunity to channel resources to areas that would improve the lives of local people. There is also the need to give beneficiaries of development projects the opportunity to participate in the decision making process, planning and the implementation of development projects.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

#### 3.0 Introduction

In this chapter, the methodology used for data collection and analysis of the research is considered within the framework of the conceptual and analytical tools developed for the study. A methodology is a general approach or strategy used for studying a research problem. It relates to the general philosophical issues applied to guide a study, and is never wrong but only appropriate to the problem under investigation (Silvermann, 1993 :). Yin (1984:16) states that the choice of the most appropriate research methodology revolves around three main issues namely: the nature of the research problem, the behavior of the theme and the extent of control the researcher has over contemporary events relating to the research issues.

It constituted a design of the research, data sources, sampling techniques and procedures used in sample size determination, data collection methods, unit of analysis and data analysis and presentation. This gave direction and focus to the entire work. Vigorous steps were followed in the process and included the following.

#### 3.1 Case Study Research Design

The case study is a method of inquiry that investigates a contemporary phenomenon within its real life context. The method addresses a situation whereby the boundaries between phenomena and context are not clearly evident. It also uses multiple sources of evidence (Yin, 1993:3) and is suitable for context-related events. A distinct technical characteristic of the case study method is that there are always more variables of interest to be analyzed than data points, which makes quantitative statistical analysis difficult as some of the research variables cannot be quantified. However, case studies can and should include quantitative (numerically measurable) and qualitative (descriptive, interactive) data.

Case studies make analytical generalizations to body of theoretical framework or findings from within a specific study (Yin, 1984: 22). As such, case study generalizations are limited to the specific context and phenomena under investigation. The case study method enables in-depth study of complex events and processes, most

of which may escape statistical analysis. A major strength of case study method is that it meets the evaluation needs to monitor and assess policy interventions and implementation processes. It serves evaluation needs by being amenable to both quantitative and qualitative data. In this way, it is able to draw from the advantages of quantitative and qualitative research. Its major critique is that being a social research method, case studies are too general or qualitative and are open to validity and reliability questions, which tend to limit its usefulness as a scientific study method and its contributions to a body of knowledge (Yin, *ibid*: 21-22).

This method afforded the researcher the opportunity to have a detailed assessment of the issues at stake. The study covers Builsa, Talensi Nabdam and Bolgatanga Municipal Assemblies in the Upper East Region. The selection of the Region was based on the fact that the researcher was familiar with the Region and the challenges it is confronted with as far as internal generated funds are concerned.

### **3.2 Justification for the Case Study Design**

The case study method is justified on the grounds that, the researcher has no control over the behaviour of the actors in the study of local revenue sources and their sustainability measures. The policy of government and the decisions made by national and local public officials, councilors, local residents and the regulatory environment are outside the control of the researcher. These behaviours can only be observed and analysed for drawing conclusions as to how they influence the sources and sustainability of funds and local development.

It also allows for flexibility to adjust to changing circumstances in the research environment, the type of data, data collection and data analysis techniques that are appropriate.

The nature of the research is such that there are both quantitative and qualitative aspects that should be analysed. For example, local government revenues and budgets could be dealt with quantitatively while local financial allocation decisions and service provision are better examined in qualitative terms in order to capture local issues involved. Hence, case study method enables the application of these data tools to reflect the prevailing conditions or realities without much of the abstractions associated with quantitative analysis.

A study of such social phenomena requires a methodological approach that is flexible and dynamic to allow for and accommodate the operationalisation of the concepts within the research context, hence the use of the case study method.

### 3.3 Data Collection

Data were collected for this study through primary and secondary sources. The researcher was guided in the data collection by considering the sustainability tools which include: the relative size of revenue per source, collection rate or performance, growth rate, stability, overdue revenue index, bad liability index and time lag.

#### 3.3.1 Primary Data

Primary data were collected from the field by employing various methods as well as various sources. This included the use of structured questionnaire. Questionnaires were administered to respondents from the various Assemblies.

The questionnaire was made up of both open and closed questions to be answered. This was to assist the researcher to obtain first-hand information on the ground. In doing this, respondents were first identified and subsequently contacted. These were primary and secondary stakeholders at MMDAs.

Focus Group Discussions (FGD) as a tool afforded the opportunity to people with requisite knowledge with respect to the topic were put into groups and each person was expected to contribute to the discussion as the researcher posed the questions and served as a facilitator.

#### Key informant Interviews

Interviews were conducted to gather information from special knowledgeable people and other relevant stakeholders to triangulate information gathered from various sources. This method offered the opportunity to cross check information provided from other sources which improved the quality of the work as the reliability and validity of the work is concerned. The key informant interviews considered the following as critical stakeholders:

- Core staff of the Assemblies. For example Co-coordinating Directors, Planning, Budget and Finance Officers.
- Assembly members of the various Assemblies
- Business operators
- Revenue collectors

- Ratable property owners

Informal discussions and observations were used to engage targeted population within the study area. This approach was used to elicit information that has to do with social interactions and personal perceptions about the study available to the researcher.

### 3.3.2 Secondary Sources

Relevant data from the following secondary sources were utilized to supplement the primary data collected. The sources included but were not limited to the following:

- Local government bulletin and laws
- Central Government Budget Statements
- District Assembly Plans, Budgets and Financial Reports
- Administrative Documents
- Ministry of Finance publications
- DACF

A variable like the amounts of revenue to the districts from both internal and external sources over the stipulated period spanning 2005 to 2009 was looked at. This information was obtained by contacting the respective Assemblies and the relevant Ministries and Agencies operating within the domain of the research.

### 3.4 Sampling Techniques and Procedures

The techniques and procedures employed in the study included both random and non-random sampling procedures. In order to arrive at the sample size with its principles of reliability and representativeness, the researcher adopts purposive sampling technique in the selection of the Districts and the relevant stakeholders. This is justified on the grounds that revenues vary according to location and economic activities as well as the status of the District. In the light of this, the researcher deems it necessary to purposefully select the Districts to reflect the realities on the ground hence the choice of Builsa, Talensi Nabdam Districts and Bolgatanga Municipality.

A stratified random sampling was used to select two communities in each of the three Assemblies, making a total of six communities that were Sandema, Wiaga, Tongo, Kongo, Bolgatanga and Sumbrungu out of 31 communities in the three Assemblies.

**Table 3.1 Characteristics of sampled communities**

<b>Community</b>	<b>Unique characteristics</b>
Sandema	District capital, retail and general commerce activities
Wiaga	Predominately agricultural
Tongo	Agrarian and mining (galamsey)
Kongo	Mining and farming as economic activities
Bolgatanga	Regional capital, municipality, high economic activities
Sumbrungu	Farming and pockets of residential areas

Source: MMDAs Assemblies profiles

A community in this sense is an autonomous homogeneous entity that shares common values together. A systematic sampling technique was used to identify the houses in the communities to be interviewed. A comprehensive list of the houses was prepared and a simple random sampling technique was used to set the process in motion.

Due to lack of statistical data on number of households, in each sampled community, disproportional stratified sampling was used. Since the objective here was to assess the performance of the Assemblies as mandated by Act 462, a uniform sample size of 20 was used. In all 120 questionnaires were administered through the application of accidental sampling technique with a respondent per house. A household was defined as individuals who occupy the same space and normally share food and amenities.

### **3.5 Data processing, Editing and Analysis**

In terms of data processing, a number of techniques were employed. Data were edited, coded and tabulated. Editing was done to make sure that errors were detected and duly eliminated to ensure validity and reliability. Coding was done by classifying questions into meaningful categories in order to bring out essential patterns to inform the research questions posed. Having coded the data, the next task was to analyze the data in a way that can be understood by interested parties and the general public. The data collected were both of quantitative and qualitative nature. Longitudinal time series analysis, tables and percentages were used to examine the revenues from both external and internal sources from statutory allocation and MMDAs budgets.

Qualitative method of analysis was also used to interpret and complement quantitative data. As a case study research undertaken at the local level where availability and reliability of data are common problems, the study carefully avoids rigorous statistical analysis and employs essentially a descriptive approach. This approach has the advantages of being simple to understand in the absence of hard data and also reflects the realities of the situation in the locality.

### **3.6 Units of Analysis/Enquiry**

Units of analysis are the actual empirical units, objects and occurrences, which must be observed or measured in order to study a particular phenomenon (Kumekpor, 2002). It is the smallest unit around which data of the study are gathered and must be related to the scope of the research, the problem being investigated and the kind of generalization to be made as well as be reproducible for double-checking. It is the most fundamental segment of the phenomenon to be studied and in the case of this study; the main issue is the sources and sustainability of funding to MMDAs for the provision of public services to improve the welfare of the citizenry. This includes such units as local financial resources mobilization, utilization and sustainability measures.

The spatial units of analysis are three Assemblies in the Upper East Region namely Builsa District, Talensi Nabdam District which are rural and Bolgatanga Municipal which is an urban area. The urban-rural dimension of the study is to investigate whether relationships exist between the level of development of local units and their capacity for financial resource mobilization, sustainability and service provision. The urban areas are cities with modern facilities while rural areas refer to localities where traditional farming dominates the economic activities of the areas.

The levels of analysis in this study are the national level, the local government level and community level. Policy formulation and statutory financial allocation emanate from the national level which is outside the control of the MMDAs. The local government level examines the internal revenue that accrues to the MMDAs. The community level examines the actual provision of public infrastructure in the communities as well as the response of residents to local governance and

development. These levels of analysis are in conformity with the conceptual and analytical framework and form the basis for data collection and analysis.

### **3.7 Validity and Reliability**

Validity refers to the extent to which the research instruments actually represent the main research issue that is sources of funding and their sustainability in this case. Establishing the correct operational measures for the concept being studied helps to ensure validity. The research issues conceptualized in this study are carefully examined to establish their relationship with funding sources and their sustainability, which also emanate from the existing body of knowledge. These research issues used in this study were: local governance, revenue mobilization, resource utilization and sustainability and service provision which are considered valid for this study.

Reliability refers to the extent to which research results are free from unpredictable errors of data sources, data collection methods and interpretation of data. In order to minimize the effects of such and others factors that would diminish the reliability of the study, various techniques such as triangulation of sources, persons and methods and data and data audit have been applied. For instance, questionnaire responses have been triangulated by the use of Focus Group Discussion (FGD). The reliability issue also underscores the attempt made in this study not only to hear from government officials or government publications but also to get the views of other side that is, the silent majority of local residents. That is why the community level is examined as well, to cross-check the information from government sources.

### **3.8 Conclusion**

Research methodology is the foundation upon which the entire research work has been erected and provides framework for data collection and analysis. The validity and reliability of the research totally is dependent on the research design and the methodology employed. The next chapter which is chapter four presents the data analysis and interpretation phase of the research. It commences, with a brief profile of study area that is Upper East Region.

## CHAPTER FOUR

### ANALYSIS AND INTERPRETATION OF DATA

#### 4.0 Introduction

In order to analyze the issues that have been discussed in Chapter Two and also to find answers for the research questions as well as the objectives of this study, empirical evidence was gathered from various institutions, agencies and stakeholders involved in the decentralization process in the efforts to assess the sources and sustainability of funding to the selected Assemblies in the Upper East Region. This chapter therefore analyses the data that were gathered through a field survey and tries to draw linkages with the objectives of the study and the research questions.

#### 4.1 Profile of Upper East Region

##### 4.1.1 Historical Background

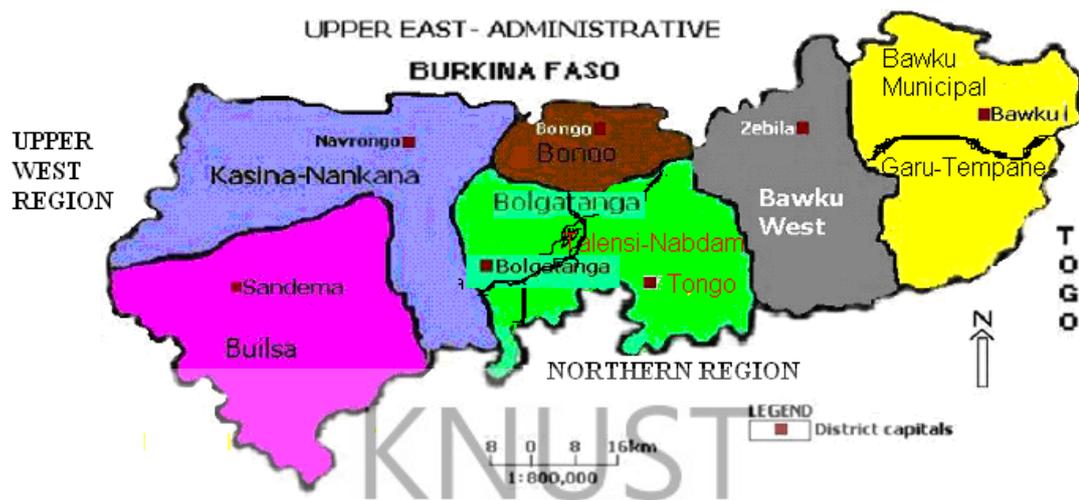
Historically, the Upper East Region was part of the former Upper Region which was carved out of the Northern Region on 1st July, 1960. In 1983, the Upper Region was split into Upper East and Upper West during the PNDC rule.

##### 4.1.2 Geo-Physical Characteristics

###### 4.1.2.1 Location and size

The Upper East Region is located in the north-eastern corner of Ghana between longitude 0° and 1° West and latitudes 10°30'N and 11°N. It shares boundaries with Burkina Faso to the north, the Republic of Togo to the East, Upper West Region to the West and Northern Region to the south as shown in Figure 5.1 below. The region has a total land area of 8,842 sq.km (about 3.7% of the total land mass of the country).

**Figure 4.1 Map of Upper East Region**



Source: Bolgatanga Municipal Assembly, 2010

#### 4.1.2. 2. Soil and drainage

The region's soil is mainly developed from granite rocks. It is shallow and is low in fertility, and has low organic matter content. Erosion is more prevalent in the region. Valley areas have soils ranging from sandy loams to salty clays. They have higher natural fertility but are more difficult to till and are prone to seasonal water logging and floods. The region is drained mainly by White Volta, Red Volta, Sissili and Nasia Rivers.

#### 4.1.2.3 Vegetation

The vegetation of the region is savannah woodland characterised by short scattered drought-resistant trees and grass that gets burnt by bushfire or scorched by the sun during the long dry season. Human interference with ecology is significant, resulting in near semi-arid conditions. The most common economic trees are the shea nut, dawadawa, baobab, mango and acacia.

#### 4.1.2.4 Climate

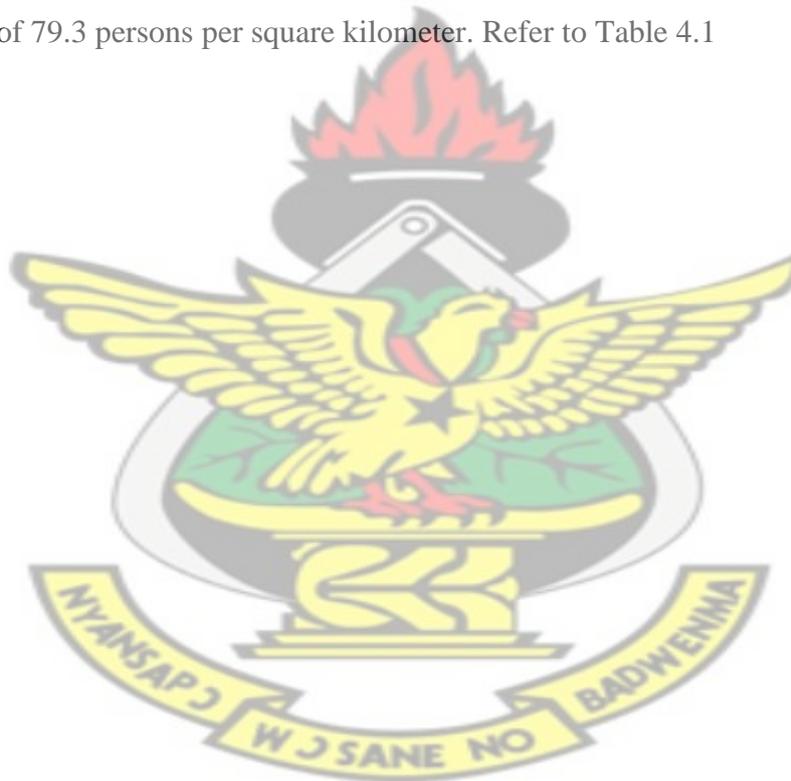
Upper East Region is in the Tropical Continental climate and thus has two major seasons, the prolonged Dry season (Harmattan) spanning from September to May and Rainy season from May to October each year. Total Annual rainfall is erratic and ranges between 800mm and 1100 mm.

Mean Monthly Temperature varies from 36°C in March to about 27°C in August. The dry season is characterized by cold, dry and dusty harmattan winds. Daily temperature during this period can be as low as 14°C at night and as high as 35°C during the daytime.

## **4.2 Demographic characteristics**

### **4.2.1 Population, Growth Rate and Density**

The total population of the region in 2000 was 920,089, which represented 4.9 per cent of the national population with a growth rate of 1.1 per cent per annum compared to the national growth rate of 2.7 per cent per annum. The region has a population density of 104.1 persons per square kilometer which is higher than the national density of 79.3 persons per square kilometer. Refer to Table 4.1



**Table 4.1 Demographic Characteristics.**

Region	Total Population (2000)	Projected Population (2010)	Pop. Growth Rate (%)	Sex Distribution		Age Distribution			% of Urban Pop	Pop. Density	Dep. Ratio
				Male	Female	Bel. 15	15-64	65+			
Upper East	920,089	960,706	1.1	48.1	51.9	51.2	43.4	6.4	15.7	104.1	1:1.3

Source: Bolgatanga Municipal Assembly, 2010



The population is primarily rural (84.3%) and scattered in dispersed settlements. There are generally no distinct boundaries between communities as compounds in contiguous villages overlap. The rural population in 1984 was 87.1 percent. Two towns, Garu and Pusiga have grown from rural to urban localities since 1984. Garu increased from 3,104 in 1984 to 5,057 in 2000, while Pusiga grew from 1,125 to 6,823 over the same period. The largest growth in urban proportion occurred in Bawku (34,074 to 51,379) and Bolgatanga (32,495 to 49,162).

#### 4.2.2 Sex structure

The sex structure shows that there are more females than males. The proportion of males to females stood at 48.1% to 51.9% compared to 49.5% to 50.5% for the total country as indicated in Table 4.1 above.

#### 4.2.3 Age dependency ratio

The dependency ratio in 2000 for the region was 1:1.3 while that of the nation was 1:0.87. Compared to the national average, the region's ratio is too high which implies that one active person feeds himself and one point three additional persons. This trend has serious implications for socio-economic planning. The need to provide for facilities for the dependent populations puts pressure on the resources of the region.

#### 4.2.4 Major ethnic groups

The Upper East Region is one of the most heterogeneous-ethnic regions in Ghana. The major ethnic groups are the Kusaal, Nankani, Grune, Buili, Bisa and Kassem.

### 4.3 Social characteristics

#### 4.3.1 Education

The educational sector in the Upper East Region with respect to availability of institutions, facilities, and teachers is relatively developed when compared to the national indicators. Below is Table 4.2 showing some indicators.

**Table 4.2 Educational Characteristics**

Indicators	Nursery	KG	Prim.	JHS	SHS	Tr/Nursing Trg	Polytechnic	University
Number of Inst	151	452	586	238	22	7	1	1
Number of Trs	203	793	4353	200 4	635	NA	NA	NA
Number of Trained Trs	54	210	2286	140 4	578			
% of trained teachers	-	26. 5	42.5	70. 1	81. 6			
Pupil Teacher Ratio	60/1	54/ 1	42/1	21/ 1	19. 3			
Gross Enrolment Ratio	-	56. 5	92.1	57. 7	19. 5			

#### 4.3.2. Adult Literacy

The Upper East region has a high illiteracy rate of 76.5% compared to the national rate of 42.6%. Both sexes have rates above 50%.

#### 4.3.3 Health

The region is characterised with annual outbreaks of widespread and devastating epidemics such as cerebro spinal meningitis and onchocerciasis. Apart from these, there are other common health related issues as indicated below in Table 4.3:

**Table 4.3 Health Status Indicators**

<b>Indicator</b>	<b>Upper East</b>	<b>National</b>
Infant Mortality Rate (per1,000 LB)	33/1,000	64/1000 live births
U5 Mortality Rate	79/1000 live births	111/1000 live births
Maternal Mortality Ratio	600-800	214/100,000 live births
Total Fertility Rate	4.7%	4.4%
U5 underweight	32%	22%

Source: (2004 Upper East Annual Report, Ghana Health Service,) and GDHS, 2003.

**Table 4.4 Clinical Medical Officers, 2004**

<b>Region</b>	<b>No of Medical Officers</b>	<b>Population</b>	<b>Doctor/Patient ratio</b>
<b>Upper east</b>	<b>16</b>	<b>961,246</b>	<b>1/60,078</b>

Source: (2004 Upper East Annual Report, Ghana Health Service,) and GDHS, 2003.

#### 4.3.3.1 Health Facilities

There are four district hospitals which provide referral services. These are Sandema, the War Memorial Hospital (Navrongo), Zebilla and Bawku Presbyterian Hospital. There are 26 health centres and 62 health centres and clinics. The region has three Midwifery Schools, one State Registered Nursing School, 2 Community Health Nursing School and Health Research Centre at Navrongo.

To make health care accessible to the people, the NHIS was operated by all the districts to make financing within reach. As of 2006, only 7.06% of the population had registered as indicated in Table 5.5 below.

**Table 4.5 NHIS Coverage, 2006.**

Region	Estimated Population	Total Membership	% of population members	No of ID card holders	% of population ID card holders
Upper East	963,448	67,995	7.06	34,159	3.55
National	20,426,152	3,223,354	15.78	1,388,666	26.80

Source: Upper East Ghana Health Services

#### 4.3.4 Poverty Levels.

The region is one of the three most poverty endemic regions in Ghana. The percentage of the population below the poverty line increased from 67% in 1991/1992 to 88% in 1998/1999 and again reduced to 70% in 2005/2006. The poverty levels are worse compared to the national levels which reduced from 52% in 1991/92 to 29% in 2005/6. Table 5.6 below presents the poverty situation in the region.

**Table 4.6 Percentage of Population below Poverty line**

Region	1991/92	1998/99	2005/6
National	52	40	29
Upper East	67	88	70

Source (Ghana's Human Development Report, 2008)

#### 4.4 Economic Characteristics

##### 4.4.1. Economic activities

##### 4.4.1.1 Agriculture

Agriculture, hunting and forestry are the main economic activities in the region. About 80 percent of the economically active population is engaged in agriculture. The main produce is cereals and vegetables. Livestock and poultry production are also practiced in the region. There are two main irrigation projects, the Veia Project in Bolgatanga covering 850 hectares and the Tono Project in Navrongo covering 2,490

hectares. Altogether, the two provide employment to about 6,000 small-scale farmers in the region.

#### 4.4.1.2 Industry and Mining

The level of industrial activity in the region is generally low, with the cotton ginnery at Pusu-Namongo near Bolgatanga the revamped Silver Star Tomato Canning Factory at Pwalugu as the two industries in operation. The Meat Processing Factory at Zuarungu and the Rice Mills at Bolgatanga are not operational.

There are some mining and quarrying activities in the region. The quarrying activities include the Upper Quarry Limited located at Pwalugu and the Granites and Marbles Company Limited located at Tongo which produce to feed the construction industry.

The gold mining industry is not very developed in the region. Small-scale gold mining, popularly known as “galamsey” has become rampant in the area of Tongo, Sheaga, Duusi, Pelengu and other small villages. The major small-scale activities include the craft industries which include, pottery, basketry and smock weaving. Leather and straw works are also carried out on labour intensive basis.

#### 4.4.1.3 Tourism

The region is endowed with a number of attractive sites and scenes of tourist interest which include the Paga Crocodile Pond, the Bolgatanga Museum and the Kulungugu Bomb site. Others are the three point elevation at Pusiga, the Tongo hills, the Navrongo Basilica with its magnificent constructional and decorative designs, and the whistling and drumming rocks at Paga and Chiana.

### 4.5 Implementation of the Decentralization Policy in Ghana

The Ministry of Local Government and Rural Development exist to promote the establishment and development of a vibrant and well resourced decentralized system of local government for the people of Ghana, to ensure good governance and balanced rural development.

According to (Mr. Kwame Owusu Bonsu) Chief Planning Officer of the Ministry, local government in Ghana can be traced back to the colonial era, where indirect rule was introduced. This was done through the native political institution by constituting

the chief and elders in a given District as the local authority, with powers to establish treasuries, appoint staff and perform local government functions.

The current Local Government System is the New Local Planning Policy which is the decentralization. This policy has its legal basis from the Local Government Law (PNDC Law 207, 1988). With the introduction of the multi-party democracy in Ghana, the 1992 constitution made legal provisions for the decentralization policy. One of them is the Local Government Act, 1993 (Act 462).

The structures of the local government are the Regional Coordinating Council which are 10 in number, Metropolitan, Municipal and District Assemblies numbering 170 in the country. There are also sub-district structures which in most cases are not functioning.

Mr. Owusu Bonsu, again said that the ministry is responsible for policy formulation, implementation, monitoring, evaluating and also managing the human resources within the Ministry.

According to him, decentralization is public as well as democratization issue. It is the transfer of authority and responsibility for public functions from the central government to subordinate government organization or private sector.

Decentralization can be seen in the following forms:

- Political decentralization
- Administrative decentralization
- Fiscal decentralization

Political decentralization gave citizens or their elected representatives more power in the public decision-making. The concept implies that the selection of representatives from local electoral jurisdiction allows citizens to know better the needs and desires of their constituents; hence the elections at the Assembly level.

Administrative decentralization seeks to redistribute the authority, responsibility and transfer resources for providing public services among different levels of government. It is the transfer of responsibility for the planning, financing and management of certain public functions. There are three forms of administrative decentralization which are: Deconcentration, delegation and devolution

Fiscal decentralization is a core component of decentralization. If local governments and private organizations are to carry out decentralized functions effectively, they must have an adequate level of revenues that is either raised locally or transferred from the central government as well as the authority to make decisions about expenditures. This is where the government instituted the District Assembly Common Fund concept which gave the Assemblies the legal backing for taxes at the local level. Officially, the thrust of Ghana's decentralization policy is said to be devolution. In reality however, two competing concepts of decentralization are operating in Ghana. The first is the devolution of major political and administrative responsibilities from central Government to District Assemblies, comprising partially elected bodies with the mandate for local government and local, community development. The second, running parallel to devolution intents is the process of administrative and technical deconcentration practised by Ministries, Departments and Agencies (MDAs) that plan and deliver specific services to communities. On the creation of additional MMDAs (28 in 2004 and 32 in 2008), the position of the Ministry is that it would give voice to majority of the people across the country to participate in the decision making process concerning their development and also to develop and initiate programmes and projects that address their specific needs. With the implementation of the decentralization policy in Ghana, it has increased local participation in the decision-making process, improved service delivery and also cost-effective in public resources management.

#### **4.5 Sources of Funding to the MMDAs**

The Assemblies have several avenues in which they are to mobilize their financial resources from, in order to embark on their development agenda. In trying to identify the various sources of revenue that accrues to the Assemblies, it was realized that from literature, there were two main sources which were internal and external. The external sources were funds transfer from the central government and other development partners.

The internal sources of funding to the Assemblies have been catalogued in Act 462(section 86). This section mandates the Assemblies to tax the various economic activities identified within their jurisdictions. However, the Assemblies in which study was conducted categorized their internal revenue avenues into six main sources

based on the peculiarity of the region. These are; rates, lands, fees and fines, licences, rent and investment income.

#### 4.6 Revenue Sources and Performance

The MMDAs mobilize funds from both internal and external sources for the financing of local activities. This is to ensure that the welfare of the people is improved in terms of providing public services to them. The data from the various MMDAs help to assess the performance regarding what Assemblies have been able to mobilize internally and what came in as external support.

For the internal revenue sources to Builsa District, the major productive revenue sources are fees and fines and licences. The other sources are rates, rent and investment income contributed averagely the same within the five year period.

**Table 4.7 Builsa District Assembly Revenue**

Revenue source	2005	2006	2007	2008	2009	Total
Rates	1,276	551	2,276	2,380	10,317	16800
Lands	900	5,547	1,698	1,700	1,720	11565
Fees and fines	31,753	31,133	31,964	32,799	56,678	184327
Licences	8,461	6,458	11,123	9,082	12,626	47750
Rent	2,553	1,133	2,483	3,729	6,780	16678
Investment income	1,298	938	3,800	5,000	6000	17036
Sub-total Internal	46241	45760	53344	54690	94121	294156
Donors support	120581.03	185383.11	309325.86	183536.16	307593.68	1106419.84
Grants	241162.05	370766.21	618651.73	367072.31	615187.35	2212839.65
Sub-Total: External	361,743.08	556,149.32	927,977.59	550,608.47	92278103	3319259.49
<b>Total Revenue</b>	<b>407984.08</b>	<b>601,909.32</b>	<b>981321.59</b>	<b>605298.47</b>	<b>1016902.03</b>	<b>3613415.49</b>

Source: Builsa District Assembly, 2010

Table 4.7 shows that, the internal revenue generated by Builsa District from the six sources, amounted to GH¢294,156.00. It was realized that fees and fines contributed

10.8 percent of internal revenue in 2005, 11.2 percent in 2008 and 19.3 percent in 2009. This source contributed 62.7 percent to internal revenue over the five year period.

The yield from this revenue head shows the extent to which peoples' participation in local economic activities, for which they pay fees and fines. Revenues from this source come mainly from areas like exportation and landing fees, slaughter houses, and lorry parks. The contribution of this, accounted for more than half of total internal revenue for the period. It has also shown growth and stability over the same period which shows that it is reliable and sustainable and therefore needs to be maintained and possibly improve upon, to generate more internal revenue for sustainable local development.

Another source that is of significance is licences. This source accounted for 2.9 percent in 2005, 3.1 percent in 2008 and 4.3 percent in 2009. It contributed 16.2 percent to total internal revenue for the five years period. This source has its contributions from areas like hard liquor (Akpeteshie), fuel dealers, chop bar dealers, market stores/kiosks and registration of contractors. This particular source has the potential to increase its yield when people who are not covered are roped in. There are businesses which are not licenced yet operating in the District which is against the Local Government Act, 193 Act 462.

Rates, rent and investment income are also important internal revenue sources, contributing 5.7 percent, 5.7 percent and 5.8 percent respectively to total internal revenue for the five year period. Rates cover areas like basic rate, cattle rate, property rate, pig rate and donkey rate. The basic rate in Builsa District has been stagnant over the years. In the fee fixing resolution, 2009 adults who are qualified to pay basic rate were to pay 50Gp per person which is grossly inadequate and needs to be reviewed.

Cattle, property, pig and donkey rates are supposed to be counted and the owners pay for them. The revenue collectors are supposed to go from community to community and from house to house to count these things and the appropriate levies are collected. However, the challenge has been either the collectors have not been properly resourced or no education has been carried out in the communities for the monies to be collected.

Lands contributed the least as far as internal revenue is concerned. It accounted for 3.9 percent of total internal revenue for the five year period. People are supposed to seek for permits before putting up any landed property in the District. These permits are to be granted by the District Assembly, where specified amounts are charged depending on the kind of structure to be put up. This source has a direct relationship with conforming to land use plans. The low revenue contribution to internal revenue by lands could be attributed to the fact that developers are not following the rules and regulations governing land use. This could partly contribute to the sprawl development exhibited by the District.

Table 4.7 also shows the external sources of revenue for Builsa District Assembly. These include donors support and grants. Donors or development partners have been supporting the District for some time now. In the five year period, development partners contributed an amount of GH¢110641.84 representing 33.3 percent of the total external inflows of the District.

Grants which are statutory allocations from central government to MMDAs constitute the major external revenue source to the Assembly. This source contributed GH ¢ 2212839.65 for the five year period representing 74.0 percent of the total external revenue accrued to the District. These data have shown that grants contribute substantially to local revenue as far as Builsa District Assembly is concerned. The total revenue for the District within the five years stood at GH¢3613415.49 out of this amount, donor support constitutes 30.6 percent and grants also contributed 61.2 percent to total revenue of the District. In comparison, the contribution of the internal revenue source for the period under review, contributed 8.1 percent to total revenue of the District. On the other hand, the external revenue within the same period accounted for 91.8 percent of total revenue to the District Assembly. It has become evident that the District is relying heavily on external funding sources for its development.

For Talensi Nabdam District Assembly, Table 4.8 shows that the main internal sources of revenue are rates, lands fees and fines, licence, rent and investment income. Within the internal revenue sources, licence contributed the highest for the five year period. This source contributed an amount of GH¢71463 representing 42.6 percent of internal total revenue contribution. This significant contribution from this

source could be attributed to people involvement in local economic activities for which they need licences or permit to operate.

**Table 4.8 Talensi Nabdam District Assembly Revenue**

Revenue Source	2005	2006	2007	2008	2009	Total
Rates	246	357	1,485	492	32,761	35341
Lands	94	119	3,633	2,116	8,707	14669
Fees/fines	5,230	7,581	7,271	11,231		37144
Licences	6000	8,724	7,022	42,896	6,821	71463
Rent	210	456	171	702	615	2154
Investment Income	1,112	3,680	900	1,403	-	7095
Sub- Total: Internal	12892	20917	91042	54880	60135	167866
Donor Support	208800	374007.67	592407.68	661041.31	591434.3	2427690.96
Grants	417600	748016	1184815.37	1917019.61	1182868.6	5450319.58
Sub-total: External	626,400.	1,122,023.00	1777,223.05	1,983,123.92	1,774,302.90	7878010.54
<b>Total Revenue</b>	<b>639,292</b>	<b>1142,940</b>	<b>179625.05</b>	<b>2038,003.92</b>	<b>1834437.9</b>	<b>8045876.54</b>

Source: Talensi Nabdam District Assembly, 2010

The second internal revenue source that has also contributed to revenue was fees and fines. It accounted for GH¢37, 144 representing 22.1 percent of total internal revenue for the five year period, while rent contributes marginally just GH¢ 2,154 representing 1.3 percent of total internal revenue of the District. These sources are the most viable as shown in Builsa and Nabdam Districts as the contribution of internal revenue is concerned.

The external source of revenue is cardinal as far as total revenues to MMDAs are concerned. With respect to Talensi Nabdam District Assembly, the external sources of funds to the District emanated from donor support and grants from central government. For the five year period donor or development partners contributed GH¢2, 427,690.96 representing 30.8 percent of total external revenue to the District. Grants which are transfers from central government constituted the largest contribution to the District as they amounted to GH¢5, 450,319.58 representing 69.2 percent of total external revenue to the District Assembly. This particular source contributed more than half of what development partners have done over the period. This phenomenon has shown that MMDAs would receive more in terms of funding when central government is able to mobilize more revenue through taxation and other sources. In comparing the internal and external sources of revenue to the District with respect to total revenue, internal revenue amounted to GH¢167,866 representing 2.1 percent of total revenue to the District Assembly over the five period . This is woefully inadequate as far as the provision of public services is concerned. This insignificant contribution coming from the internal source is an indication of the deprived nature of the District and total reliance of the District on external support. This situation is risky as daily operations and administration could be affected when this trend persists. It is therefore, a wake up call for the District to take a critical look at its internal revenue sources and adopt pragmatic ways of mobilizing internal revenue.

The external revenue source, contributed an amount of GH¢7,878,010.54 representing 97.9 percent of total revenue accrued to the District Assembly for the period under review. This is the combination of support from development partners and grants from central government. Judging from the figures, it is clear that the development of the District depends so much on the proceeds from external source. This phenomenon is worrisome as its regularity, timely and the power and authority to use funds from

this source remains a challenge. It was also realized that, Builsa District contributed 8.1 percent internally as compare to 2.1 percent by Talensi Nabdam District Assembly.

Table 4.9 shows that the main internal sources of revenue to Bolgatanga Municipal are rates, lands, fees and fines, licences, rent and investment income. These sources contributed various amounts to total internal revenue. For instance, in 2005, rates accounted for GH¢9,281 representing 0.47 percent of total internal revenue 0.7 percent in 2007 and 1.0 percent in 2009. Lands accounted for GH¢64,367 in 2005 representing 3.2 percent of total internal revenue. The contribution of lands in Bolgatanga Municipal Assembly is quite good as compared to that of Builsa District and Talensi Nabdam District Assemblies.

**Table 4.9 Bolgatanga Municipal Assembly Revenue**

Revenue Source	2005	2006	2007	2008	2009	Total
Rates	9,281	11,380	13,440	15,967	20,467	70535
Lands	64,367	78,761	81,619	89,798	94,398	408943
Fees/Fines	89,649	99,467	108,978	120,086	149,198	567478
Licences	38,496	46,095	45,998	56,768	62,134	249491
Rent	67,848	79,887	89,614	98,978	102,649	438976
Investment income	39641	42,511	51,215	58341	68109	259817
Sub-Total Internal	309282	358101	390864	440118	497955	1995420
Donor Support	513780.38	911250.68	568391.68	775599.26	47484.25	3243869.25
Grants	1027560.75	18222501.36	113783.49	1551198.53	94964.51	6487738.64
Sub-Total: External	1541341.13	2733752.04	1705175.17	232679.79	142454.176	9731607.89
<b>Total Revenue</b>	<b>1850623.13</b>	<b>3091853.04</b>	<b>2096039.17</b>	<b>2766915.79</b>	<b>1921596.76</b>	<b>11727027.89</b>

Source: Bolgatanga Municipal Assembly 2010

This is justified on the grounds that land values in the cities are much greater than the rural areas. Fees and fines which remained a critical source of internal revenue to Builsa and Nabdam Districts is equally important in Bolgatanga Municipal as far as internal revenue is concerned. This source accounted for 4.5 percent in 2005, 5.0 percent in 2006, 5.5 percent in 2007 6.0 percent in 2008 and 7.5 percent in 2009. This particular revenue source has shown growth and stability over the five year period.

Rent which has contributed very marginally in terms of internal revenue in both Builsa and Nabdam Districts accounted for GH¢438,976 representing 22.0 percent the second highest after fees and fines which contributed GH¢567,478 representing 28.4 percent of total internal revenue from 2005 to 2009.

Generally, the various internal sources in Bolgatanga Municipal are quite variable as almost all of them have shown appreciation over the period.

As shown by Table 4.9 above, external transfers coming from central government and donor support coming from development partners remain the highest as far as total revenue is concerned. Donor support for 2005 to 2009 amounted to GH¢3243869.25 representing 33.3 percent of total external revenue. On the other hand, grants which are statutory allocations accounted for GH¢6,487,758.64 representing 66.7 percent for the same period.

In comparison, the internal revenue source contributed GH¢1,995,420 for the five year period to total revenue representing 17.0 percent. On the other hand, external revenue source accounted for GH¢9, 731607.89 within the same period representing 83.0 percent. These statistics have shown that the Assembly depends on external funding as the life wire and means of carrying out the business of the Assembly in both recurrent and development needs.

#### **4.7 Sustainability of Funding Sources to MMDAs**

The Assemblies have two mainstream sources in which they receive financial support. These sources are internal and external.

Having identified the main sources, the challenge is to assess how sustainable these sources are in contributing to total revenues of MMDAs. According to Stan

Burkey,(1993) sustainability is the ability of Assemblies to rely, to a large extent, on their own human and material resources without much external transfer of resources.

Sustainability of funding sources in this context would look at the performance of the various sources, the growth rate, the stability of the sources and the regular and timely contributions to total revenue of the sources. A source is considered sustainable when its contribution to total revenue is high yielding, growing, stable, regular and timely.

#### 4.7.1 Performance of Funding Sources

In Builsa District, as far as the performance of the various sources is concerned, the internal source contributed 8.1 percent of total revenue to the District. This is shown in Table 4.7. The external source contributed 91.8 percent within the same period which means that, the District is depending so much on external transfers, without which its function as the provider of social amenities could be challenged. If this trend continues, the sustainability of internal source could be questioned as it contributes less than 10 percent to total revenue.

The contributions to total revenue from internal and external sources in Talensi Nabdam District, as shown by Table 4.8 indicated that 2.1 percent came from internal source while 97.9 percent was contributed by the external resource. This revelation is not different from that of Builsa District. The Assembly is relying greatly on the external sources which sometimes could not be predicted.

In Bolgatanga Municipal Assembly, the internal revenue has shown appreciation over the five year period, as it contributes 17.0 percent to total revenue though doubled what Builsa District contributed and more than seven times that of Talensi Nabdam District the Assembly equally relies on external source for much of its funding.

#### 4.7.2 Revenue Growth and Stability

Revenue growth refers to the ability of Assemblies' revenues to increase over time in order to meet the increasing expenditure needs.

Revenue stability refers to the frequency with which Assemblies' revenues change over time.

The extent to which revenues from mainstream sources which are internal and external have grown during the period of analysis is presented for each Assembly in

Table 4.10; it shows the percentage annual increases in revenue by sources from 2005 to 2009 with nominal values.

These have been calculated on the basis of rate of change between previous and current year revenue yields, expressed as a percentage of previous year's yield.

For Builsa District Assembly Table 4.10 internal revenue showed a negative growth in 2006 that is less revenue was generated from it than in the previous 2005 fiscal year.

**Table 4.10 Assemblies' Revenue Growth in Percentages**

<b>Builsa District Assembly Revenue Growth in percentages</b>					
Revenue Category	2005/2006	2006/2007	2007/2008	2008/2009	Average
Internal Revenue	(1.0)	16.6	2.5	72.1	22.6
External Revenue	53.7	66.9	(40.7)	67.6	36.8
<b>Total Revenue</b>	<b>47.5</b>	<b>63.0</b>	<b>(38.3)</b>	<b>68.0</b>	<b>35.1</b>
<b>Talensi Nabdam District Assembly Revenue Growth in Percentages</b>					
Revenue Category	2005/2006	2006/2007	2007/2008	2008/2009	Average
Internal Revenue	62.2	(9.0)	188.2	9.6	62.8
External Revenue	79.1	58.4	11.6	(10.5)	34.7
<b>Total Revenue</b>	<b>78.8</b>	<b>57.2</b>	<b>13.5</b>	<b>(10.0)</b>	<b>34.9</b>
<b>Bolgatanga Municipal Assembly Revenue Growth in Percentages</b>					
Revenue Category	2005/2006	2006/2007	2007/2008	2008/2009	Average
Internal Revenue	15.8	9.1	12.6	12.9	12.6
External Revenue	77.4	(37.6)	36.5	(38.8)	37.5
<b>Total Revenue</b>	<b>67.1</b>	<b>(32.2)</b>	<b>(32.0)</b>	<b>(30.6)</b>	<b>36.3</b>

Source: Derived from Builsa District Assembly, Tanlensi Nabdam District Assembly and Bolgatanga Municipal Assembly Financial Records 2005-2009; and from Tables 4.7, 4.8 and 4.9 respectively. Figures in brackets indicate negative values.

However, this improved in 2007 and reduced drastically in 2008 with another huge increase in 2009. On the average, internal revenue increased at the rate of 22.6 percent in nominal terms over the period.

The variation in nominal growth rates over the different years indicate a degree of instability in revenue derived from internal sources, as more could be generated in some years and less in other years without a clearly defined pattern and depending on the administration machinery.

Revenues from external sources show a more stable growth than internal revenue, increasing nominally by 54 percent in 2006, 67 percent in 2007 and 68 percent in 2009. It shows an average nominal annual increase of 37 percent over the period, as shown in Table 4.10 above. Though there was a drop in 2008, generally it shows consistency in growth. The growth differential between internal and external revenues is because of the nature of the revenue bases and their yields. Internal revenue bases are associated with low yields and more difficult and costly to administer than the external revenue bases which are financial transfers from fast growing, high yielding and more stable sources from the central government and development partners. As such, the MMDAs get more revenues from external than internal sources.

The situation in Talensi Nabdam District Assembly is interesting, as the internal revenue shows negative growth in 2007 and suddenly experienced a quantum leap in 2008 with a great drop again in 2009.

It was revealed that in 2008 where the Assembly recorded the highest internal revenue generation was due to the fact that Telecom operators had come into the District and paid so much money to the Assembly for the erecting of their poles. The revenue dropped greatly in 2009 which indicates how unsustainable the source is as far as internal revenue is concerned. The external source has shown some amount of stability over the years except 2009.

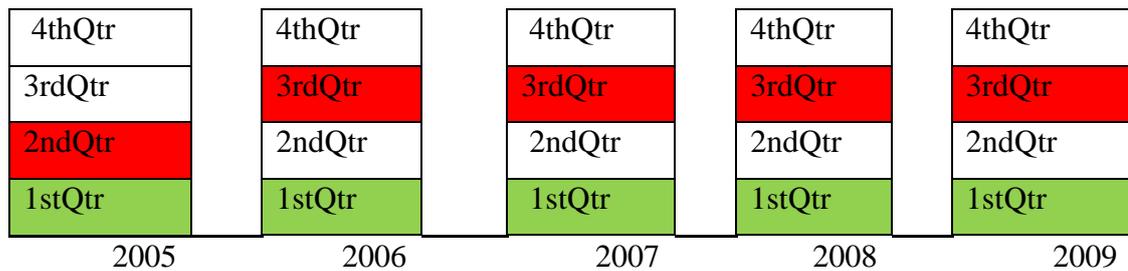
For Bolgatanga Municipal Assembly Table 4.10 above indicates that internal revenue has shown some growth over the years though marginally. This situation meant that the source has improved upon its performance from year to year as no negative value was recorded within the stipulated period. The external source experienced some amount of instability, it still contributed 38 percent averagely as compared to 13 percent of internal source.

It could be observed from the foregoing analysis that while internal revenue is showing some positive growth signs in Bolgatanga Municipal Assembly, it is rather decreasing in Builsa and Talensi Nabdam Districts. This is an indication that there is a strong relationship between the level of development of a unit and its revenue capacity. The urban Bolgatanga Municipal Assembly is more developed, has more revenue instruments and higher income residents who are able to pay for local services than the rural Builsa and Nabdam where the residents are mainly small farmers who eke out a living.

#### 4.7.3 Regular and Timely

Regular and timely as far as internal and external revenues are concerned refer to the availability of funds from these sources within the planned period. The Assemblies argued that they did not have problems with regularity and timely of internal source of funding. They said, they have control over the collection and usage of funds from this source. The data available did not support the measuring of timeliness of internal inflows. However, with external source, the Coordinating Directors and the Finance Officers of the studied Assemblies said that they did have challenges with respect to this source as it is not regular and timely, argued that statutory allocations which are supposed to be quarterly end up release on yearly basis. The release of the Assemblies Common Fund to the Assemblies as shown by the diagram below indicates that central government transfers are not regular and timely. This is evident as the release of the common fund has not shown consistency with planned guide lines. These untimely releases of funds affect budgeting and plans implementation by the Assemblies.

**Figure 4.2: Regular and Timely release of the first quarter of the Assemblies Common Fund.**



key



KNUST

From the analysis, it could be concluded that the sustainability of funding from the various sources to the studied Assemblies depends on external sources though not regular and timely. This is justified on the grounds that the studied Assemblies internal sources contributed less than 20 percent to total revenue in their respective Assemblies.

#### **4.8 Local Residents and Public Opinion on Internal Revenue Mobilization of MMDAs**

In order to get the residents' perception on internal revenue mobilization of Assemblies, a total of 120 questionnaires were administered to residents in six communities sampled, that is two communities in each MMDAs, and 20 questionnaires per community. All the sampled respondents responded, which are the basis for the analysis. The respondents cut across social economic and political groups within the communities including a substantial number of women and the youth.

##### **4.8.1 Ages, Sex structure and Educational level of Respondents**

The Table 4.11 below shows that demographic characteristics of the respondents. The respondents embraced both males and females in the various are categories.

The sampled population cut across people in business, revenue collectors, Assembly members, tax payers and the general public. People of varying educational back grounds were also captured. This was necessary as it gave an idea about how varying

demographic characteristics of respondents influence their perceptions and opinions of the issues raised in the questionnaire.

**Table 4.11 Demographic Characteristics of respondents**

Age	Male	%	Female	%	Total Sex %	Educational Level	Frequency	%
20 – 29	15	12.5	10	8.3	20	Never attended	16	13.3
30 – 39	18	15.0	11	9.2	26	Primary	15	12.5
40 – 49	27	22.5	12	10	34	JHS	16	13.3
50 – 59	10	8.3	9	7.5	15	SHS	41	34.2
60+	5	4.2	3	2.5	5	Tertiary	26	21.7
Total	75	62.5	45	37.5	100	Others	6	5

Source: Field Survey, 2010

As depicted by Table 4.11 above during the administration of the questionnaires, data were collected on sex and age distributions of respondents. Out of 120 respondents interviewed, 75 of them were males and the remaining 45 were females. The dominant nature of the male population was due to the fact that the research was conducted in patrilineal communities where femo-power is on a minimal scale. The dominant age group was 40 – 49 as they are grouped in decades. This constituted 22.5% while the other groupings ranging from 20 – 29 years 12.5%, 30 – 39 years 15%, 50 – 59 years 8.3 % and 60+ years attracted 4.2%. Furthermore, Table 4.11 depicts that 34.2% of the respondents had received secondary education while 21.7% of the respondents also had some form of tertiary totaling 55.9% of the respondents. The remaining is found within Junior High School, Technical and Vocational Institutes, Primary and never attended.

With the issues raised, the educational level of respondents was highly imperative as the willingness to contribute towards a common good may link to your comprehension or world view about the phenomenon and the benefits associated with it.

#### 4.8.2 Functions of the Assemblies

In order to ascertain if residents are aware of the activities of the Assemblies for which 75 percent of the total respondents indicated knowledge of the functions of the Assemblies by listing four main functions of the Assemblies, while the rest constituting 25 percent expressed no knowledge concerning the functions of the Assemblies. The more educated respondents are better in distinguishing local government functions at the grassroots from that of government as a whole. This indicates inadequate enlightenment about the mission of the Assemblies to the large local and illiterate population. Even among the educated people, the fact that they do not see the MMDAs performing what they perceive as local functions brings uncertainty as to what actually constitutes local government functions.

Therefore, there is the need to improve local information dissemination in the communities regarding the key functions of the MMDAs. Residents' knowledge of the functions of MMDAs is necessary without which they cannot effectively assess the delivery capacity of their Assemblies within resource limit and therefore cannot hold duty bearers accountable nor demand for their right to local services.

#### 4.8.3 Payment of Taxes and Levies and Benefits Derived

Residents were asked if they are getting satisfaction from the taxes and levies they pay. Table 4.12 shows responses across the six communities of the people that were sampled.

**Table 4.12 Assessment of Residents' Opinion on Local Taxes and Levies**

Builsa District			Talensi Nabdam District			Bolgatanga Municipal		
Communities	Yes	No	Communities	Yes	No	Communities	Yes	No
Sadema	3	17	Tongo	2	18	Bolga	5	15
Wiaga	2	18	Nabdam	1	19	Sumbrungu	2	18
Total	5	35	Total	3	37	Total	7	33
Percentage	12	88	Percentage	8	92	Percentage	18	82

Source: Field survey, 2010

The Table 4.12 shows that 88 percent of the respondents in Builsa District are getting very little or no satisfaction for their money while 92 percent in Talensi Nabdam and 82 percent in Bolgatanga Municipal responded same as far as satisfaction of utilization of taxes are concerned. On the other hand, 12 percent, 8 percent and 18 percent from Builsa, Talensi Nabdam and Bolgatanga Municipal respectively feel they derive satisfaction for their money, though not sufficient. Thus, 88 percent of the total respondents are not pleased with local taxes and levies while 12 percent feel satisfied. This suggests that against the background of having apparently fulfilled their financial obligations to the Assemblies, residents expect their officials to perform their side of the bargain through the provision of local facilities. People's expectations are not being realized and this could adversely affect internal revenue mobilization, as residents would be unwilling to pay local taxes and levies. This is evident from the low internal revenue mobilization especially rates and rent.

#### 4.8.4 Internal Revenue Generation of the Assemblies

Financial resources are prerequisite of development. So, the Assemblies' capacities to raise internal sustainable revenue in order to embark upon their development programmes are very paramount.

**Table 4.13 Opinions of Residents on the Generating of Revenue by MMDAs**

Builsa District			Talensi Nabdam			Bolgatanga Municipal		
Communities	Yes	No	Communities	Yes	No	Communities	Yes	No
Sandema	8	12	Tongo	9	11	Bolga	12	8
Waiga	10	10	Kongo	7	13	Sumburungu	7	13
Total	18	22	Total	16	24	Total	19	21
Percentage	45	55	Percentage	40	60	percentage	47.5	52.5

*Source: Field survey, 2010. The percentages are based on respondents from each MMDAs*

Views of respondents were sought on the capacities of MMDAs to generate sufficient internal revenue to provide public goods. As indicated in table 4.13 above, in Builsa District 45 percent of the respondents held the view that the Assembly has capacity in terms of human and financial resources that can be mobilized for the development of

the District. This view expressed by respondents from Builsa District did reflect in Talensi Nabdam and Bolgatanga Municipal as 40 percent and 47.5 percent respectively equally agreed with that assertion. Other respondents held a contrary view in respect to the revenue generation. These people constituted 55 percent in Builsa District, 60 percent in Talensi Nabdam District and 52.5 percent in Bolgatanga Municipal .They argued that the Assemblies are grappling with bad roads, dilapidated market structures, low revenue mobilization and inadequate social facilities in MMDAs. For them, if the Assemblies were to be generating sufficient revenue these problems would have been dealt with and standard of living of the residents improved.

#### 4.8.5 Challenges that MMDAs are facing in the Mobilization of Internal Revenue

Views were sought from revenue collectors through Focus Group Discussion (FGD) with respect to the challenges as far as internal generated revenue is concerned. It came out that there were myriad of problems hindering the effective and efficient mobilization of internal revenue to the Assemblies. Some of the challenges were; inadequate logistics in terms of transportation and working items like rain coats, irregular payment of commission to revenue collectors, inadequate job training, lack of negotiation skills to pursue tax payers to honour their tax obligations and an interference of Assemblies hierarchy in the work of revenue collectors. These concerns were triangulated with responses from the secretariats of the MMDAs which revealed that they were genuine and also lamented the non- functioning of the District Assembly sub-structures where internal revenue mobilization forms part of the major functions of the sub-structures especially at the unit committee level.

## CHAPTER FIVE

### FINDINGS, RECOMMENDATIONS AND CONCLUSION

#### 5.0 Introduction

This chapter dwells on the previous one by taking cognizance of the findings obtained from the analysis of the field data in the light of the research questions as well as the objectives of the study. This chapter brings out the key findings of the study and suggests appropriate recommendations to address these findings and conclusion. This is to ensure sustainable funding to Assemblies as they are seen as the beacon of hope when it comes to the development of local communities.

#### 5.1 Summary of Findings

##### 5.1.1 Decentralization Practice in Ghana

The research found out that officially, the thrust of Ghana's decentralization policy is devolution. In reality however, two competing concepts of decentralization are operating in Ghana. The first is the devolution of major political and administrative responsibilities from central Government to District Assemblies, comprising partially elected bodies with the mandate for local government and local community development. The second, running parallel to devolution intents is the process of administrative and technical de-concentration practiced by ministries, Departments and Agencies (MDAs) and plan and deliver specific services to communities. It was also realized however, that, even though there is an elaborate legal and regulatory framework for the successful implementation of the decentralization process the implementation of the policy has been constrained by the following among others.

1. Weak Capacity to effectively monitor the implementation process and evaluate the performance of local government institutions.
2. Weak economic base of some Assemblies constraining their ability to mobilize adequate resources for the provision of services.
3. Weak intersectoral collaboration owing partly to the absence of a central body with sufficient clout to oversee and guide the implementation process.

4. The policy of decentralization in Ghana was more political than service delivery on the grounds that health and education were outside the decentralization processes which are core in terms of service delivery.
5. The fiscal decentralization is still a big issue as different interests groups do not want to compromise their stance. Negotiation skills which are very relevant in policy formulation were not considered.
6. Non functioning of some District Sub-structures.

#### 5.1.2 Revenue Sources Performance

The analysis of revenue sources performance in the three Assemblies has revealed some interesting findings that have implications on sustainable finance to Assemblies. The Assemblies mobilized financial resources from independent revenue sources such as rates, lands, fees and fines, licences, rent and investment income, which are internal and also from external sources which are grants and donor support.

- It is observed that internal revenues contribute less to Assemblies revenues. These are far less in rural Assemblies like Builsa and Talensi Nabdam Assemblies than the urban Bolgatanga Municipal Assembly as it records more internal revenue contribution to its total revenue than the others. It was realized that fees and fines in Builsa District Assembly contributed 10.8 percent of internal revenue in 2005, 11.2 percent in 2008 and 19.3 percent in 2009. This source contributed 62.7 percent to internal revenue over the five year period. The internal revenue sources in Builsa District Assembly contributed GH¢294,156.00 for the five year period to total revenue representing 8.1 percent.
- Lands contributed the least as far as internal revenue is concerned. It accounted for 3.9 percent of total internal revenue for the five year period. The low revenue contribution to internal revenue by lands could be attributed to the fact that developers are not following the rules and regulations governing land use. This could partly contribute to the sprawl development exhibited by the District.
- The total revenue for the Assembly within the five years stood at GH¢3613415.49 out of the amount, the external revenue within the same period accounted for 91.8 percent of total revenue to the District Assembly.

So in the light, it has become evident that the District is relying heavily on external funding sources for its development.

- It also revealed that, in Talensi Nabdam District Assembly, internal revenue contributed an amount of GH¢167,866 representing 2.1 percent of total revenue to the District Assembly over the five year period. The external revenue source contributed an amount of GH¢7,878,010.54 representing 97.9 percent of total revenue accrued to the District Assembly for the period under review.
- In Bolgatanga Municipal Assembly, lands contributed significantly to internal revenue. This is justified on the grounds that land values in the cities are much greater than the rural areas. Fees and fines which remained a critical source of internal revenue to Builsa and Nabdam Districts are equally important in Bolgatanga Municipal as far as internal revenue is concerned. This source accounted for 4.5 percent in 2005, 5.0 percent in 2006, 5.5 percent in 2007, 6.0 percent in 2008 and 7.5 percent in 2009. This particular revenue source has shown growth and stability over the five year period.
- Rent which has contributed very marginally in terms of internal revenue in both Builsa and Nabdam Districts accounted for GH¢438,976 representing 22.0 percent the second highest after fees and fines which contributed GH¢567,478 representing 28.4 percent of total internal revenue from 2005 to 2009. Generally, the various internal sources in Bolgatanga Municipal are quite variable as almost all of them have shown appreciation over the period.
- External transfers coming from central government and donor support remain the highest as far as total revenue is concerned. Donor support for 2005 to 2009 amounted to GH¢3243869.25 representing 33.3 percent of total external revenue. On the other hand, grants which are statutory allocations accounted for GH¢6,487,758.64 representing 66.7 percent for the same period.
- Internal revenue sources contributed GH¢1,995,420 for the five year period to total revenue representing 17.0 percent. On the other hand, external revenue source accounted for GH¢9, 731607.59 within the same period representing 83.0 percent. So, it revealed that the Assembly depends on external funding as the life wire and means of carrying out the business of the Assembly in both recurrent and development needs.

### 5.1.3 Sustainability of Funding Sources to MMDAs

For sustainability of funding sources to the Assemblies it was realized that internal sources are less reliable, predictable and stable.

- For instance, in Builsa Assembly revenues from external sources show a more stable growth than internal revenue, increasing nominally by 54 percent in 2006, 67 percent in 2007 and 68 percent in 2009. It shows an average nominal annual increase of 37 percent over the period. Though there was a drop in 2008, generally it shows consistency in growth. The growth differential between internal and external revenues is because of the nature of the revenue bases and their yields. Internal revenue bases are associated with low yields and more difficult and costly to administer than the external revenue bases which are financial transfers from fast growing, high yielding and more stable sources from the central government and development partners. As such, the Assembly gets more revenue from external than internal sources.
- Talensi Nabdam District Assembly internal yields change from year to year and even negative in 2007 and suddenly shown a quantum leap in 2008 with a great drop again in 2009. The great revenue dropped in 2009 indicates how unsustainable the source is as far as internal revenue is concerned. The external source has shown some amount of stability over the years except 2009. Weak revenue base and poor revenue administration are mainly responsible for low revenue yield from internal sources in Nabdam District Assembly.
- In the case of Bolgatanga Municipal, more internal revenue could be generated when right decisions are made with regards to revenue mobilization as there was general appreciation of the various instruments. For Bolgatanga municipal Assembly internal revenue has shown some growth over the years though marginally. This situation meant that the source has improved upon its performance from year to year as no negative value was recorded within the stipulated period.

### 5.1.4 Local Community Development

Local residents understand the functions of MMDAs and are in common opinion that Assemblies are not performing these functions well enough to bring about local development.

- Respondents constituting 87.5 percent of the total respondents are not pleased with local taxes and levies paid to the Assemblies and are of the view that financial resources are being used for personal gains, at the expense of public welfare. This is evident from the low internal revenue mobilization especially rates and rent.
- The capacity of MMDAs to mobilize sufficient internal revenue, it was realized that many residents were of the view that the Assemblies have no capacity to generate sufficient internal revenue to provide public goods. These people constituted 55 percent in Builsa District, 60 percent in Talensi Nabdram District and 52.5 percent in Bolgatanga Municipal.
- Challenges that MMDAs face in the mobilization of internal revenue. The analysis revealed that, inadequate logistics in terms of transportation and working items like rain coats, irregular payment of commission to revenue collectors, inadequate job training and lack of negotiation skills to pursue tax payers to honour their tax obligations, an interference of Assemblies hierarchy in the work of revenue collectors and the non functioning of the District Assembly sub-structures where internal revenue mobilization forms part of the major functions of the sub-structures especially at the unit committee level.

## 5.2 Recommendations

The local Government Law, Act 462 of 1993, placed a number of responsibilities such as deliberative, legislative and executive responsibilities on the Assemblies. All these require substantial revenue to fulfill. The Assemblies are therefore charged with the difficult responsibility of mobilizing all available local and external resources to facilitate economic and social development activities. The recommendations are directed to the three Assemblies in the case study. These are specific measures they could take to improve on their performance in financial mobilization and local service delivery.

- The Ministry of Local Government, Rural Development should prepare an overarching Decentralization Policy that defines more succinctly, the policy choices associated with devolution of authority, for planning, budgeting and accountability for development results at the level of MMDAs. Such a policy (drawing on relevant legislations already in place), will overcome the current

situation in which every level of Government is claiming authority in various aspects of existing legislation.

- The internal revenue from the three Assemblies is very low especially in Builsa and Talensi Nabdham Districts due to low revenue base. This phenomenon resulted in heavy dependence on central government. So the Assemblies should improve their revenue collection efforts by revitalizing and equipping their revenue collectors with appropriate logistics, involving community-based organizations, market associations and traditional institutions in the revenue mobilization.
- They should also diversify their revenue base. For instance, the Bolgatanga Municipal can go into public-private partnerships for municipal services like urban transportation, commercial enterprises and small-scale industrial activities. Builsa and Nabdham Districts being predominately agricultural production areas can engage in commercial agriculture; poultry and livestock farming; purchase, storage and sale of farm produce; agro-based small scale processing activities; and rural transport service in partnership with local entrepreneurs. Apart from earning revenue for the Assemblies, these measures will help to increase the income of small farmers through increased market access for their farm produce. They will also help to minimize the exploitation of farmers by urban middlemen if rural-urban food price differentials are reduced, thereby improving farmers' income and livelihoods.
- The MMDAs should also improve revenue from user charges and property rate, particularly in the urban areas like Bolgatanga Municipal. There is considerable scope for financing certain municipal services through user charges such as refuse collection and disposal or urban waste management. The imposition of user charges on municipal services should however be done with caution in determining appropriate charges for cost effectiveness without denying poor residents access to essential local services.
- The sub-structures of the Assemblies which are supposed to assist in revenue mobilization are not functioning and for that matter they should be made

functional. Tax education in the communities must be intensified by the revenue units of the Assemblies.

- Officials from the Assemblies should not interfere with the work of the collectors. The Assemblies should leave full management and supervision of markets in the hands of their revenue staff. The Urban and Area council chairpersons may only exercise oversight responsibilities to ensure that revenue mobilization is effective in their respective areas. They should collaborate with the revenue supervisors to promote efficiency. In this regard it is recommended that resource mobilization training workshops be organized for the chairpersons of the Urban and Areas councils by MMDAs.
- The Assemblies should set revenue targets for mobilizers and institute annual awards for mobilizers who exceed such targets. Collectors should be provided with identity cards and also assisted to acquire uniforms for easy identification. The wearing of uniform alone has the potential of raising revenue up to 20%.
- Central government and development partners should be proactive in the transfer of financial resources to MMDAs.

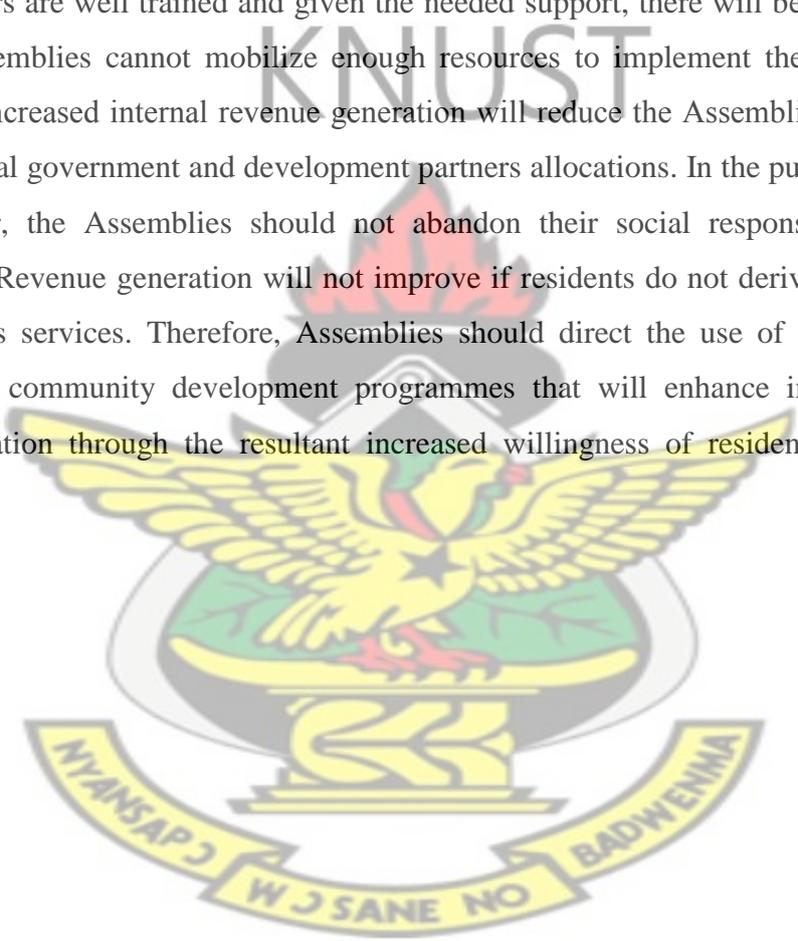
### **5.3 Conclusion**

Decentralization and the promotion of good local governance have come to be accepted in Ghana as constituting an enabling environment within which local communities can benefit from financial resources both within and without.

The understanding is that local governance promotes good governance such as: participatory democracy and grass-roots involvement in the decision-making process, resource allocations, transparency and anti-corruption mechanisms, human rights and administrative practice, equitable and fair access to services. This noble objective of the decentralization cannot be attained if strenuous effort is not made to ensure a complete decentralization at all levels and all forms from political to fiscal.

With the full implementation of decentralization, it would therefore, enable local government units to have sufficient technical and financial capacity to carry out their assigned functions. Based on the assumption that decentralization allows people to get what they want rather than what someone else wants them to want.

It is often said that financial resources is the life wire of successful decentralization in the sense that, the Assemblies cannot take care of their responsibilities without financial resources. Until the problem of local revenue mobilization is tackled in a holistic manner, any piece meal approach would not be adequate to solve the problem. In the light of this, it is relevant that all stakeholders engaged in local revenue mobilization be trained and educated well in their duties and be given the needed support in the areas of policy formulation, planning, plan implementation, monitoring operation and performance assessment. If these things are properly done and collectors are well trained and given the needed support, there will be no reason why the Assemblies cannot mobilize enough resources to implement their development plans. Increased internal revenue generation will reduce the Assemblies' dependence on central government and development partners allocations. In the pursuit of revenue however, the Assemblies should not abandon their social responsibilities to the people. Revenue generation will not improve if residents do not derive benefits from MMDAs services. Therefore, Assemblies should direct the use of fiscal resources towards community development programmes that will enhance internal revenue mobilization through the resultant increased willingness of residents to pay local taxes.



## REFERENCES

- Akai, Nobuo and Masayo Sakata** (2002), 'Fiscal Decentralization Contributes to Economic Growth: Evidence from State-Level Cross-Section Data for the United States', *Journal of Urban Economics*, Vol.52, No.1.
- Andor Fritz F. Ed**, (1991), from centre to the grassroots: Excerpts from selected speeches on PNDC's Decentralization policy. Ministry of Local Government and Rural Development volume 1, Accra.
- Boateng E.A** (1996), Government and the people outlook for Democracy in Ghana. Published by I.E.A. Ghana.
- Boodhoo, M.J.** (1976) "The Organization and Management of Development Agencies: A Comparative Perspective", *International Review of Administration Sciences* vol.42.
- Breuss, Fritz and Markus Eller** (2004), 'Fiscal Decentralisation and Economic Growth: Is There Really a Link?', CESDICE Report, *Journal of Institutional Comparisons*, Vol.2, No.1, pp.3-9.
- Burkey, S** (1993). *People First- A Guide to self-Reliant, participatory Rural Development*, London and New Jersey, Zen Books Ltd.
- Chava Frankfort- Nachmias, David Nachmias** *Research methods in the social sciences*(1994) Kumarian Press.
- Conyers, Diana** (1983) 'Decentralization: The Latest Fashion in Development Administration', *Public Administration and Development*.
- Davey, K.J.**( 1983). *Financial regional government practices and their relevance to Third World*. Chichester, John Wiley and sons.
- Dillinger, William** (1993). *Decentralization and its implications for urban service delivery*. Urban Management Programme Series. The World Bank, Washington D.C.

**Dubois, H.F.W. & Fattore, G.** (2009), 'Definitions and typologies in public administration research: the case of decentralization', *International Journal of Public Administration*, 32(8).

**Ebel, Robert D. and Serdar Yilmaz** (2002), 'On the Measurement and Impact of Fiscal Decentralization', Policy Research Working Paper, 2809, Washington: World Bank.

**Fesler, James W.**(1968) "Centralization and Decentralization", in, Davis L. Hills, ed. *International Encyclopedia of the Social Sciences*, Macmillan, New York.

**Fisman, Raymond and Roberta Gatti** (2002), 'Decentralization and Corruption: Evidence Across Countries', *Journal of Public Economics*, Vol.83, No.3.

**Harris, Richard** (1983) "Centralization and Development in Latin America" in **Cheema and Rondinelli** (1983) *Decentralization and Policy*.

**Hirschmann, Albert** (1958) *The Strategy of Economic Development*. Yale University Press, Newhaven.

**Lewis, John and Kallad, Valerina ed.** (1986) *Development Strategies Reconsidered*. Overseas Development Council, Washington D. C.

**Todaro p. Michael** (2009) *Economic Development*, London Economics centre

**Musgrave, Richard A.** (1983) "Who should Tax, Where, and What?" in, Charles McClure, ed., *Tax Assignment in Federal Countries*, Australian National University Press, Canberra.

**Musto, Stefan** (1985) *Endogenous Development: A myth or a path? Problems of Economics Self-reliance in the European Periphery*. EADI Book Series, no .5 German Development Institute. Berlin.

**Oakley and Peter** (1991) *Project with People: The Practice of Participation in Rural Development*, ILO publications, Geneva.

**Oates, Wallace E** (1999), 'An Essay on Fiscal Federalism.' *Journal of Economic Literature* 37(3).

**Oyugi, Walter O.** (2000) "Decentralization for Good Governance and Development: Concepts and Issues", *Regional Development Dialogue*, vol.21, no.1, spring.

**Panizza, Ugo** (1999), 'On the Determinants of Fiscal Centralization: Theory, and Evidence', *Journal of Public Economics*, Vol.74, No.1.

**Pearce and David.** (1990) *Sustainable Development: Economics and Environment in the third world*, London Environmental Economics Centre, Edward Elgar Publishing Limited.

**Ranjit Kumar** *Research Methodology*(1993). Sage Publication.

**Schakel, Arjan H.** (2008), 'Validation of the Regional Authority Index', *Regional and Federal Studies*, Routedledge, Vol. 18 (2).

**Seers, Dudley** (1969) "The meaning of Development." *International Development Review* 2/6, December.

**Sharma, Chanchal Kumar** (2006), 'Decentralization Dilemma: Measuring the Degree and Evaluating the Outcomes, *The Indian Journal of Political Science*, Vol.67, No.1.

**Sharma, Chanchal Kumar** (2008), 'emerging dimensions of decentralization debate in the age of glocalization', mpra Paper 6734, University Library of Munich, Germany. reprinted in: *Glocalization - Thinking Global, Acting Local* Gopalakrishnan P S (ed.) ICFAI University Press, 2008.

**Sharma, Chanchal kumar.**2005a 'When Does decentralization deliver? The Dilemma of Design', *South Asian Journal of Socio-Political Studies*6(1).

**Sharma, Chanchal Kumar.**2005b. 'The Federal Approach to Fiscal Decentralization: Conceptual Contours for Policy Makers', *Loyola Journal of Social Sciences*, XIX(2):169-88 (Listed :International Bibliography of Social Sciences, London School of Economics and Political Science)

**Smith, Brianc** (1967) *Field Administration: An aspect of Decentralization* , Routledge and kegan Paul, London.

**Kumekpor Tom K.B,** ( 2002). *Social research methods and techniques of social research*, SonLife Press and services Accra, Ghana.

**United Nations** (1962) Decentralization for National and Local Development, New York.

**Upoff, Norman** (1986) Local Institutional Development: An Analytical sourcebook with cases, Kumarian Press, West Hartford, Connecticut.

**Waller, Peter P.** (1986) "Recent Concepts and Approaches to Regional Planning in the Countries of the Third World", in Fekade, W. (1994)

**Yin, R.K.** (1984) Case Study Research: Design and Methods. Sage Publication

# KNUST



## Appendix I

I am a MSc. student from the Kwame Nkrumah University of Science and Technology, carrying out a research on sources and sustainability of funding to Assemblies in the Upper East Region. The information is purely for academic purposes in partial fulfillment for the award of MSc. Development Policy and Planning.

### Questionnaire for Ministry of Local Government and Rural Development

#### Implementation of the Decentralization Policy

1. What do you understand by decentralization?

.....

2. What type of decentralization is being practiced in Ghana?

.....

.....

3. Do you think there is political will to properly decentralize at all levels?

Yes ( ) No ( )

Please give reasons for your answer.....

4. Do you think there are legal institutional and regulatory frameworks for decentralization in Ghana? Yes ( ) No ( )

5. Please mention some of them.....

.....

6. In your own opinion, do think the structures for the implantation of the decentralization programme as it exist now have clear and unambiguous roles and responsibilities?

Yes ( ) No ( )

If no, how can the situation be improved?.....

7. What are some of the reasons behind the creation of Metropolitan /Municipal /District Assemblies?.....

8. Has the creation of more MMDAs improved local governance and local economic development? Yes ( ) No ( )

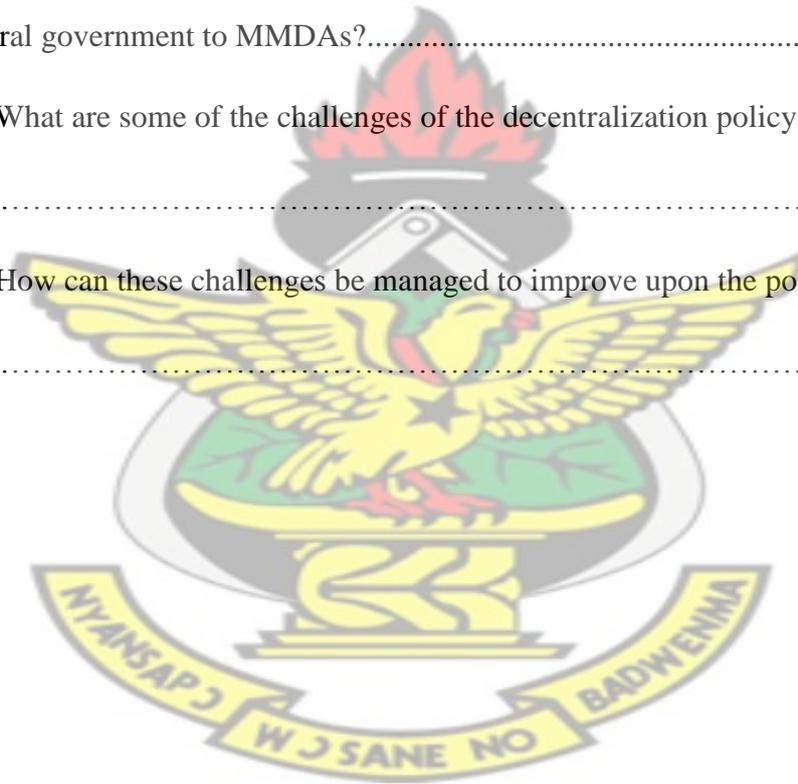
9. What about the provision of essential goods and services to the citizenry?  
.....

10. To what extent does the financial context affect the capacity of MMDAs to deliver as expected of them?.....

11. What can be done to ensure timely transfer of financial resources from the central government to MMDAs?.....

12. What are some of the challenges of the decentralization policy in Ghana?  
.....

13. How can these challenges be managed to improve upon the policy in Ghana?  
.....



## Appendix II

I am a MSc. student from the Kwame Nkrumah University of Science and Technology, carrying out a research on sources and sustainability of funding to Assemblies in the Upper East Region. The information is purely for academic purposes in partial fulfillment for the award of MSc. Development Policy and Planning.

### ASSEMBLY QUESTIONNAIRE

1. What are your sources of revenue?.....  
.....  
.....
2. Which of these sources are regular and timely and why?.....  
.....  
.....
3. Which of them are not regular and why?.....  
.....  
.....
4. What are the effects of irregular funding to the Assembly?.....  
.....  
.....
5. How can you ensure that funds are regular for the smooth running of the Assembly?  
.....  
.....
6. Do you have the authority to channel central government funds to areas deemed fit by the Assembly? Yes or No: Give reasons.....  
.....  
.....
7. What can be done to ensure timely transfer of financial resources from the central government to MMDAs?.....  
.....  
.....

- 8 How much revenue accrued to the Assembly both internal and external spans from 2005 to 2009?

INTERNAL GENERATED FUNDS	
YEAR	AMOUNT
2005	
2006	
2007	
2008	
2009	

EXTERNAL GENERATED FUNDS

YEAR	AMOUNT
2005	
2006	
2007	
2008	
2009	

9. Has the district been assessed by the FOAT team? Yes or No if yes
10. How many times? .....
11. What was the passed mark from the assessment team? .....
12. What was the performance of the district? .....
13. Did the district pass? Yes or No If yes
14. How much did the district receive?.....
15. Are you mandated legally to publish your annual audited accounts?  
Yes or No If yes
16. Have you been publishing your annual audited accounts?  
Yes or No If no give reasons  
.....
17. In your own opinion, what do you understand by financial sustainability?  
.....  
.....

### Appendix III

I am a MSc. student from the Kwame Nkrumah University of Science and Technology, carrying out a research on sources and sustainability of funding to Assemblies in the Upper East Region. The information is purely for academic purposes in partial fulfillment for the award of MSc. Development Policy and Planning.

#### Questionnaire for the Local Residents and Communities

##### SECTION A

##### PERSONAL PROFILE OF RESPONDENT

1. Age.....
2. Sex:  
Male.....Female.....
3. Religion: Christian.....Muslim.....Traditional.....Others specify.....
4. Educational status: Primary.....JHS.....SHS.....Tertiary.....Never attended.....
5. Marital status: Single.....Married.....Divorced.....Widow
6. Occupation.....

##### SECTION B

##### FUNCTIONS AND FUNDING OF THE ASSEMBLY

7. Do you have facilities provided in your community by the Assembly? Yes ( ) No ( )
8. If yes what are they?
9. Do you have Assembly projects in your community between 2005 to 2009? Yes or No
10. What has the Assembly contributed to the development of this community?
11. Do you know the functions of the Assembly?
12. Is the Assembly performing those functions?
13. Do you pay local taxes and levies?
14. Are you getting satisfaction from local services for your money?
15. Are you satisfied with the Assembly performance in the provision of public services? Yes or No
16. Do you think the Assembly is generating sufficient revenue to provide public goods? Yes or No If no why?
17. What challenges do you think are facing the Assembly in terms of funds and how could these be solved so as to make the Assembly more effective?
18. Has there been any tax education engagement in your community? Yes ( ) No ( )  
If yes
19. Did you attend any? Yes ( ) No ( )