

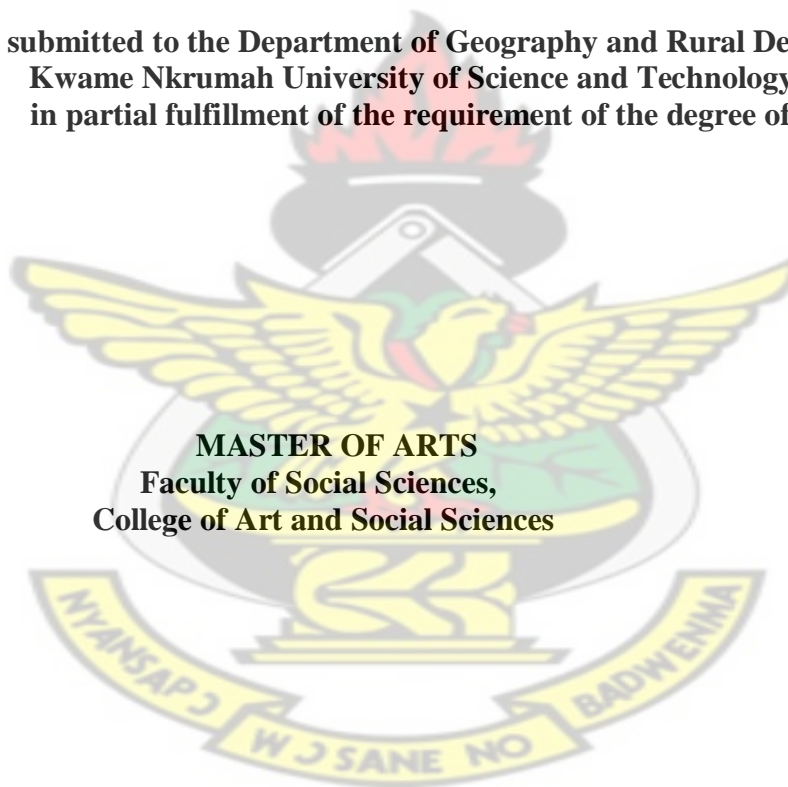
**DISTRICT ASSEMBLY COMMON FUND AND POVERTY REDUCTION  
IN RURAL GHANA; THE CASE OF ASANTE-AKIM NORTH DISTRICT**

by

**ADAM ABDUL MUMIN B.A ( Hons)**

**KNUST**

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in partial fulfillment of the requirement of the degree of**



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## DECLARATION

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

ADAM ABDUL MUMIN

.....

Student's name (PG87515-05)

Signature

Date

***Certified by:***

MR. JOSEPH KOOMSON

Lead Supervisor

Signature

Date

DR. ALEX SEGBEFIA

Supervisor

Signature

Date

***Certified by:***

DR. A.Y SEGBEFIA

Head of Department

Signature

Date

## DEDICATION

This research work is dedicated to my parents- Abdul Mumin and Halima Aparenteng for their vision and sacrifice, and for having bequeathed a sense of hard work, discipline and humility.

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## ABSTRACT

The study examines the utilisation of the District Assembly Common Fund by Assemblies in Ghana towards rural poverty reduction and its challenges to reduce rural poverty. One major problem facing local development is how to have a more reliable source revenue to develop the rural areas through an efficient local government administration. Poverty has been a serious developmental problem in Ghana for many years. The results of the Ghana Living Standard Surveys (GLSS) in 1987-88, 1991-92 and 1998-99 showed that poverty was more pronounced in rural areas than urban centres although urban poverty was identified. It was realised that the multi-dimensional nature of poverty needs a holistic approach which involves the poor in looking for appropriate interventions to reduce their poverty level. The introduction of the decentralization policy in 1988 and the subsequent establishment of District Assemblies' Common Fund in 1994 were meant to reduce rural poverty through the provision of social services, credit facilities and people's participation in the development process. The utilisation of the fund by the District Assemblies faces a lot of challenges. Key among them is inadequate social services, lack of involvement of the people, irregularities in contract awarding system, inefficient project monitoring, over-reliance on the fund, low capacity of both the staff and the members of the Assembly. These have undermined the Assembly's effort to reduce poverty. The study draws on research conducted between 2006 and 2007, using the Asante-Akim North District as a case study. The study adopted qualitative type of research due to the multi-dimensional nature of poverty. The research procedure adopted for the study involved three levels of data collection and analysis. These are the national, district and community levels. The case study approach was identified as the appropriate methodology for the research. Focus group discussions, direct observations and interview schedules were particularly administered to the key staff members of the District Assembly and some decentralised departments including, health and education. Following from the findings, the study concludes that to ensure efficient utilisation of the DACF to effectively reduce poverty levels in the rural areas, there is the need to ensure increased people's participation at the community level in policy making and implementation, regular capacity building, and the need for political and administrative commitment for judicious use of the District Assembly Common Fund.

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## ACRONYMS/ABBREVIATIONS

|         |       |   |
|---------|-------|---|
| AANDA   | ----- | Asante-Akim North District Assembly                   |
| BECE    | ----- | Basic Education Certificate Examination               |
| C.S.Os  | ----- | Civil Society Organizations                           |
| DAC     | ----- | Development Assistant Committee                       |
| DACF    | ----- | District Assemblies' Common Fund                      |
| DAs     | ----- | District Assemblies                                   |
| DCE     | ----- | District Chief Executive                              |
| GLSS    | ----- | Ghana Living Standard Survey                          |
| GPRS I  | ----- | Ghana Poverty Reduction Strategy I                    |
| GPRS II | ----- | Growth and Poverty Reduction II                       |
| MTDP    | ----- | Medium Term Development Plan                          |
| MMDAs   | ----- | Metropolitan, Municipal, District Assemblies          |
| MDAs    | ----- | Ministries, Departments and Agencies                  |
| OECD    | ----- | Organization of Economic Co-operation and Development |
| NGOs    | ----- | Non- Governmental Organizations                       |
| NYEP    | ----- | National Youth Employment Programme                   |
| PAF     | ----- | Poverty Alleviation Fund                              |
| PNDC    | ----- | Provisional National Defence Council                  |

# CHAPTER ONE

## GENERAL INTRODUCTION

### 1.1 INTRODUCTION

Local governments have been created as agents of local development in which the people in the local areas are given greater opportunities to influence policies and programmes that directly affect their well-being. However, the implementation of the policies and programmes aimed reducing poverty levels in many countries is bedevilled with many problems. Key among them is the issue of financing the local development to reduce rural poverty. Many countries, especially developing ones have not been able to resolve that issue satisfactorily, due to the inability of the central governments to provide fiscal resources to the local authorities because of budgetary constraints (Kessey, 1995).

Governments in sub-Saharan Africa have also embraced decentralisation as a strategy that will bring service delivery closer to consumers and improve the responsiveness of the central government to public demands. This was to reduce poverty by improving the efficiency and quality of public services and empower local units to feel more involved and in control. Such countries as Ghana, Uganda, Kenya, South Africa and Burkina Faso are decentralising decision-making power, resources and responsibilities to lower levels of government (Rondinelli, 1989). However, due to budgetary constraints African countries, have not been able to provide enough financial resources to match with their new responsibilities. Therefore, they have been implementing more of political and administrative decentralization.

The largest segment of the world's poor is the 800 million poor women, children and men who live in rural environments (UNDP, 2006). Poverty continues to permeate rural areas in many developing countries. The situation arises from inappropriate public policies

and ill-designed programmes and projects, which have both served to impoverish rural communities (World Bank, 2001). In the sub-Saharan Africa especially, trade and fiscal policies have often discriminated against agriculture, which is the main source of livelihood among the rural people (World Bank, 2003). Rural poverty in developing countries is a complex phenomenon, which includes low income, unequal access to means of production, to health and education facilities, food insecurity and low nutritional status, natural resource degradation, and low empowerment (Crook; Sverrison, 2001).

In Ghana, poverty is a multi-dimensional and dynamic phenomenon. The dimensions of poverty can be categorized into three main facets; income or consumption dimension, access to social services dimension and participatory dimension of poverty. The social service access dimension of poverty includes lack of access to health care, education, good drinking water, decent housing and sanitation. The participatory dimension of poverty includes lack of voice and political rights. People who lack the ability to participate in decisions that affect their lives directly consider this as a sense of helplessness and fundamental characteristics of poverty (Ayee, 1997). One important feature of poverty is that poverty is predominantly a rural phenomenon with the rural areas accounting for more than 70 per cent of the poor ( NDPC, 2003). In terms of economic activity, poverty is by far highest among food crop farmers with about 59 % living below the poverty line. Other categories that are relatively poor include export farmers (39%) and private informal employees (25%) (Ghana Statistical Service 1998); Most rural people do not have access to safe drinking water and sanitation and enrolment level is also low. The use and access to health facilities is generally low due to low income and absence of these facilities in the rural areas (NDPC, 2003)

The inability of successive governments to ensure efficient financing of the local development has increased poverty in the rural areas (Ayee, 1995). However, the government of Ghana attempted to reduce this problem when it introduced a development fund in 1994 known as the “District Assemblies Common Fund” (DACF) to encourage local governance and deepen Government’s commitment to decentralization in general and fiscal devolution in particular. The fund complements the internally generated funds of the district assemblies and is meant for the development of the rural areas to reduce poverty among the people. The Fund, which was established in 1994 under DACF Act, (Act 455), 1993 is a pool of resources that required Parliament to make provision for annual allocations of not less than 5 per cent of the total tax revenue to be set aside for sharing among all the District Assemblies for development. The fund is to strengthen the Assemblies in order to ensure effective discharge of statutory functions and a development fund for use to the benefit of all Ghanaians. However, this has been increased to 7.5 per cent beginning from the 2008 fiscal year. The amount is paid into the District Assemblies’ Common Fund in quarterly installments. Over the last decade this enabled the government to transfer a lot of funds from its coffers for local development and poverty reduction.

Five criteria have been devised in respect of sharing this amount among the District Assemblies. These include the need to: - redress existing imbalances in development; motivate and encourage DAs to mobilize resources for addressing environmental degradation caused by pressures on existing services as a result of increased population; and cater for unforeseen developments. The weights assigned to each factor are as follows: the need factor 35%; Equalization 30%; Responsiveness factor 20%; Service pressure 10% and contingency factor 5%, which is used to cater for unforeseen developments in the districts and the MPs’ allocations (Songsore, 2003; 221).



The general assessment has been that District Assemble Common Fund has been utilized by the District Assemblies for social infrastructural projects such as classroom blocks, clinics, provision of water and sanitation facilities, credit support and facilities for good governance (Songsore, 2003). Even though these social infrastructures are necessary in poverty reduction efforts, they are not sufficient to improve the overall livelihoods of the local communities in the districts. As a result the DAs have been directed to spend 20 per cent of the Common Fund allocations on income generating ventures to improve incomes of the local population.

The disbursement and consequent utilization of the fund which commenced in 1994 has greatly enhanced the effort of the government to reduce poverty in the local areas. The operation of the fund over the last decade in the country has witnessed several development projects being executed to raise the social-economic status of the people in the rural areas. These include health and sanitation facilities, educational facilities such as classroom blocks, scholarships for needy pupils and students, provision of clean water, electricity, markets, street lights among others. However, the general indication about the fund is that it has not been properly utilized and managed to more projects and programmes to reduce the poverty levels in the rural areas (Aye, 1995). This is therefore, the focus of the study.

## **1.2 PROBLEM STATEMENT**

Many local level developments have failed 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: 3-4). In Ghana, a great difficulty in local level development has been due to the lack of sufficient revenue to carry out development tasks at the district level. Adequate financial resources are essential for effective execution of development projects. However

impeccable district development plans may be, very little progress can be achieved with an inadequate local revenue base. Often the measures put in place to effect this transfer do not grant the local government units sufficient control over the financial resources that they need to perform functions efficiently (Ayee, 1995).

Revenues from the internal sources of the Assembly are woefully inadequate to address the poverty situation in the Asante Akim North District. Before the introduction of DACF the Asante Akim District Assembly was relying heavily on such internally generated revenue as basic rate, property rate, special rate, fees, licenses and others. Other sources of the revenue of the Assembly were grant in – aid and ceded revenue. However, the grants were irregular and the system was often criticized as having no rational sharing basis (Ayee, 1995). The bad financial position of the Assembly prevented it from providing social and economic needs of the people to alleviate their poverty level in the rural areas (Ayee, 1995: 292-306). The new District Assemblies that were created in 1988 continue to be assigned more expenditure functions than can be financed by the revenue sources allocated to them. This mismatch of functions and finances, referred to as ‘vertical imbalance means a continued dependence of DAs on transfers from the centre (Ayee, 1995: 292).

However, the introduction of the District Assemblies’ Common Fund (D.A.C.F.) in 1994 as a strategy to facilitate poverty alleviation programmes in the district came as a big relief to the District Assemblies. For instance, between 1994 and 2005, the government had released a total of 3.32 trillion old Ghana cedis under the DACF to District Assemblies for their programmes (Gyamfi , 2007 : 15). Although the DACF is beset with a number of problems, it has in most cases been applied in areas of good governance, health, water and sanitation, productivity and employment generation since its inception in 1994. It is seen as

a suitable mechanism for providing resources to the district to provide basic infrastructure and social services that hitherto have been neglected.

The Asante Akim North Municipal Assembly has received a total of 32,314,298,889 old cedis between 1994 and 2007 (A.A.N.D.A , 2004). The Assembly's share of the DACF has made more financial resources available to undertake development projects aimed at poverty alleviation in the district. These include such basic needs as water, sanitation, classroom blocks, promotion of agriculture, commerce, health facilities, poverty issues and its alleviation, among others.

Although the Assembly has been able to use the fund to provide a number of development projects, its utilization and management reveal high level mismanagement of the fund (Ayee, 1995). This situation undermines the effort of the Assembly to provide efficient service delivery to the people in the local areas. Sometimes too the Assembly misapplies the fund and this deprives the people of adequate development projects meant to reduce their levels of poverty (Ayee, 1996, 86-104).

Moreover, in a bid to expand economies and create jobs in the rural areas the Assembly has been directed to spend 20 percent of its common fund allocations to be distributed among the individuals for income generation activities to improve the incomes of the local population (Botchie, 2000). But this has been poorly implemented because the criteria for selecting beneficiaries may be influenced by political considerations and needs to be examined. Besides, there are high default rates in the repayment of the loans advanced to district level beneficiaries. This situation at the study area needs to be assessed. Due to intransigence of the beneficiaries of the poverty alleviation fund to repay the loans granted them for others to benefit has led government scrapping the fund in 2008. So far they owe 5000,000 Ghana Cedis (Baneseh, 2007: 3)

Furthermore, most of the development projects executed under the DACF have been poorly done and this undermines the sustainability of these projects to reduce poverty in the District. There have been a number of reported cases of contractors using low quality materials for common fund projects. Apart from the short span of such projects, they put pressure on the Assembly's meager resources because it has to undertake regular maintenance of these completed projects.

Besides, the rural poor have not been involved in the design and implementation of these projects that affect their very lives. There is very little knowledge among the community members about the guidelines, disbursements of the fund, impeding their ability to demand accountability from the authorities in charge of the disbursement of the Common Fund in the district. Generally, the selection of projects was based on the guidelines for the use of the Fund. However, community members are not often consulted in the selection of DACF projects, which in most cases lead to the implementation of projects that are disparate from their felt needs and they do not have any significant impact on reduction of their poverty levels. The effect of lack of participation of the beneficiaries (people) in the design and implementation of common fund projects needs to be examined in the study area.

Another area of concern is the low capacity of most of the staff of the Assembly and this has affected the utilization of the fund and service delivery. Thus most of the Assemblies' staff may have the requisite qualifications and skills to enable them manage and also ensure judicious use of the fund for development of the District. The senior management staff such as the District Chief Executive, District Co-ordinating Director, District Finance Officer, Planning Officer, Budget Officer as well as the other staff may not receive regular capacity building workshops to sharpen their skills. This may also be the

cause of the poor management and utilization of the fund. This problem needs to be critically examined in the study area.

Equally worrying is selection of projects, which is normally skewed towards the urban centres. Some complaints have come from rural people that most of these services and infrastructure have been concentrated mainly in the district capitals to the detriment of the rural areas (Ayee, 20003; 1996). Rural areas have not received their fair share of development projects compared to the few urban centres. Some rural communities still lack good drinking water, sanitation facilities, educational and health facilities, good roads and employment opportunities and expansion of productivity. It is important that more resources should be sent to the rural areas to enable the Assembly fight rural poverty meaningfully.

Finally, it could be said that allocations of the fund to the Assembly have undermined the effective collection of Assembly's internally generated fund instead of serving as a motivating factor. As a result of limited tax revenue due to poverty and general distrust by the local people, the Assembly now relies on the common fund rather than their own resources. Besides, the cost of collecting the revenue was been found to be high. This is because the number of revenue collectors in the district is big and, therefore, their salaries and allowances and that of the other staff take a big chunk of the internally generated fund. According to the DFO the number of both permanent and casual collectors in the district was 77. This has put a lot of pressure on the Common Fund to meet the ever increasing needs of the majority of residents, especially the rural poor in the district. An effective mobilization of the local revenue is crucial as it can complement the common fund to bring more development to the rural areas thereby accelerating the poverty reduction efforts of the Assembly (Ayee, 1996 :94)

It is on this basis that the following key research questions have been raised;

- i) what criteria does the assembly adopt to select poor communities to benefit from its poverty alleviation programmes.
- ii) to what extent have the projects provided under the DACF improved the living conditions of the people?
- iii) how has the Assembly's allocations of DACF affected the mobilization of the traditional sources of revenue?
- iv) what are the priority areas of the Assembly's poverty reduction programmes and how are they sustainable?
- v) how does Assembly select projects and award contracts for projects to ensure equity and value for money.

### **1.3 OBJECTIVES OF THE STUDY**

The general objective of the study is to assess the utilization of the DACF for poverty alleviation in the district. The specific objectives of the study include the following;

- (i) to identify the Assembly's poverty reduction programmes and assess their effects on the living conditions of the people.
- (ii) to examine the effects of DACF on the internally generated revenue
- (iii) to find out how and when the Assembly disburses the poverty alleviation or income generation fund.
- (iv) to find out the level of local involvement in the selection and implementation of the common fund projects.
- (v) to ascertain how contracts for development projects are awarded.

## **1.4 RESEARCH PROPOSITIONS**

- (i) The utilisation of the common fund has increased access to basic social services in the rural communities.
- ii) The people have benefited from the poverty alleviation fund for income generating activities.
- iii) The rural communities are involved in the selection and implementation of proposed common fund projects.

## **1.5 RESEARCH METHODOLOGY**

### **1.5.1 Sources of Data**

The study was based on both **primary and secondary** sources of information. Data from primary sources was obtained from field observation, interviews (through questionnaire method) with officials in the District Assembly, namely: District Coordinating Director, District Planning Officer, Budget Officer, Finance Officer, Assembly members of the District, chairman of Unit Committee, Urban, Town and Area Councils while focus group discussion was employed to gather information from chiefs, opinion leaders and a across section of the people in the selected communities. Secondary sources of data on the operations of District Assemblies and the Common Fund were obtained from the Ministry of Local Government and Rural Development, District Assembly Common Fund Secretariat, National Development Planning Commission, data from the District Assembly, some decentralized departments, local government journals as well as data from books, journals and internet were used.

## 1.5.2 Method of Data Collection

Focus group discussions were held with chiefs and opinion elders, men, women, unit committee and assembly members, staff of the Assembly, heads of decentralized departments in the district. For the focus group discussion, a homogeneous sample was used to limit the study to select individuals based on occupation, gender and status (Tables 1.1, 1.2, 1.3). In the case of occupation the study selected farmers, artisans, teachers, traders for the focus group discussion. The study also ensured representation of both men and women in the discussion.

**Table 1.1 Sample of Participants by Status**

| Communities | Chiefs and elders | Opinion leaders | Unit committee and assembly members | Total |
|-------------|-------------------|-----------------|-------------------------------------|-------|
| Ananekrom   | 10                | 7               | 6                                   | 23    |
| Akutuase    | 9                 | 8               | 7                                   | 24    |
| Patriensa   | 11                | 7               | 10                                  | 28    |
| Nyaboo      | 9                 | 6               | 8                                   | 23    |
| Dwease      | 10                | 7               | 7                                   | 24    |

Source: FGDs held with chiefs, opinion leaders and unit committee members, 2007.

**Table 1.2 Sample of Participants by Occupation**

| Communities | Farmers | Artisans | Traders | Teachers | Total |
|-------------|---------|----------|---------|----------|-------|
| Ananekrom   | 11      | 7        | 10      | 7        | 35    |
| Akutuase    | 10      | 6        | 8       | 7        | 31    |
| Patriensa   | 11      | 9        | 10      | 10       | 40    |
| Nyaboo      | 8       | 7        | 11      | 8        | 34    |
| Dwease      | 10      | 8        | 12      | 10       | 40    |

Source: FGDs held with farmers, artisans, traders and teachers, 2007.

**Table 1.3 Sample of Discussants by Gender**

| Communities | Male | Female | Total |
|-------------|------|--------|-------|
| Ananekrom   | 12   | 10     | 22    |
| Akutuase    | 11   | 10     | 21    |
| Patriensa   | 13   | 11     | 24    |
| Nyaboo      | 11   | 9      | 20    |
| Dwease      | 12   | 10     | 22    |

Source: FGDs held with male and female participants.



Finally, chiefs and their elders, unit committee members in the study communities were included in the focus group discussion. The selection of the respondents as enumerated above was necessary because poverty is a multi-dimensional phenomenon and different people have different perceptions about it.

### **1.5.3 Research Instruments**

Such research instruments as focus group discussion, observation and description were used to obtain on information how they perceived poverty, how the Assembly involves respondents in its poverty reduction strategies, what form of financial assistance the respondents got from the Assembly, and the effects of the common fund projects on the living conditions of the people. Focus group discussions were held with the chiefs, opinion leaders, assembly and unit committee members. Others are farmers, teachers, traders, artisans. Finally, focus group discussions were held with the male and female groups in the four community. A research assistant read the interview guide and interpreted the questions in the Twi language while the researcher recorded the responses using a recoding device. With the direct observation, the researcher went round the study communities to observe projects like market, classroom blocks , KVIPs, clinics, incinerators, that were undertaken by the Assembly under the common fund, their locations and effects on the living conditions of the people.

Formal questions (interview guide) were framed and written down for the respondents to provide answers. It was used for the elite such as the District Chief Executive, District Planning Officer, Finance Officer, District Director of Education and the District Director of Health. For the key staff of the Assembly, data collected covered the District Assembly's poverty reduction programmes, the utilization of the DACF and strategies being used to develop the rural areas while that of the heads of decentralized

departments data collected concerned their knowledge of the DACF, development needs and efforts by the Assembly to assist their departments to address those needs.

#### **1.5.4 Sampling Design**

Respondents were selected to reflect characteristics needed. The people were grouped into:

- a) traditional rulers
- b) opinion leaders
- c) unit committee members and
- d) a cross-section of the people comprising men, women from the study communities.
- e) Farmers, artisans, teachers and traders.

Stratified sampling method was employed. Stratified sampling technique was used because the nature of the research demanded for the grouping of the respondents into groups from which further samples were taken. Interview guide was used to solicit information on the uses and effects of the District Common Fund on their living conditions.

Due to the nature of the research, which is basically qualitative, the depth of information to be obtained was more necessary than figures. The research covered five rural communities namely Nyaboo, Dwease, Akutuase, Ananekrom and Patriensa. The five communities were selected to ensure representativeness of the information and spatial distribution across the district. In each of the five communities three focus group discussions and the participants were selected based on status, occupation and gender. Interviews were held with 3 key staff of the Assembly - District Chief Executive, District Finance Officer, and District Planning Officer; 2 from the heads of decentralized departments - the District Director of Education and District Director of Health.

### **1.5.5 Method of Data Analysis**

Since the study was mainly qualitative it relied on the views and experiences of the respondents. The analysis was based on the reconstruction of the descriptions, which the respondents gave. However, since the research employed in-depth interviews, focus group discussion and direct observation it helped to converge findings, to elaborate on results and to discover contradictions from the various respondents in order to establish the reality of the problem. Interviews were held with the District Chief Executive, District Finance Officer, District Planning Officer, District Directors of Education and Health. Tables and photographs were used to emphasize some issues. The study used Statistical Package for Social Sciences (SPSS) to analyse the data.

### **1.6 Limitations of the Research**

One major problem faced during the research was how to get relevant information from the staff of the District Assembly on the study. The researcher had to go there almost everyday before they accepted the questionnaire and also released relevant documents on the study. This took the researcher over two months. Secondly, the research faced financial constraints. However, the researcher got financial support from some family members and friends, which minimized the problem. Again, it was difficult to obtain relevant data from the Assembly, especially on projects which the study sought to investigate. However, the District Engineer and District Planning Officer finally helped the researcher to solve this problem. There was also the problem of getting the people in each of the five selected communities together for the focus group discussion. Another challenge was how to get the participants for the focus group discussion. It took several weeks to recruit them for the discussion. The researcher was able to overcome this challenge when the Assembly members of the study communities were approached to help. The solutions to the problems

enumerated therefore, helped to minimize the margin of errors the research work might have had.

### **1.7 Scope of the Research**

In view of the number of district assemblies and the limited time within which to carry out this research, it was impossible to cover all the 138 district assemblies in the country at the time of the research in 2007. Therefore, the research was scaled down to the Asante Akim North District Assembly to ensure in-depth analysis of the problem.

### **1.8 Justification of the Research**

The selection of this study stems from the fact that rural poverty has become one of the serious development challenges facing the country today. Most of the District Assemblies are poor in terms of resources to meet the increasing responsibilities to deliver services to the growing population. In order to address this problem the Government of Ghana has through the decentralisation policy introduced the District Assembly Common Fund to reduce poverty in the rural areas. However, the good intention of the fund is being undermined by some District Assemblies as a result of poor management and utilization of the fund. Since the common fund constitutes the major revenue to the district assemblies and has great potential to reduce rural poverty, it is proper that research is conducted into the operations of the District Assemblies to ascertain how they manage and utilize the fund to benefit the poor.

### **1.9 Organization of the Research.**

Chapter one constitutes the abstract, introduction, statement of the problem, research questions, objectives and propositions of the study. Chapter two reviews the relevant

literature on which the study is based. Chapter three evaluates the profile of the District while chapter four and five processed and analyzed data collected from the field. Chapter six provides the summary of research findings, conclusions and recommendations.

# KNUST



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

This aspect of the research work reviews some themes that are relevant to the research. The themes present an overview of the theoretical framework upon which the whole research is based. Therefore, the researcher reviewed such themes as the history of financing local government in Ghana, concept of decentralisation, decentralisation as efficiency, decentralisation and participation, decentralisation and accountability, fiscal decentralisation, dimensions of rural poverty, and the conceptual framework. The thoughts and ideas were carefully selected from some authorities and reviewed to provide theoretical basis of the research work.

#### 2.2 The History of Local Government Administration in Ghana

In Ghana, the search for financing local government administration to reduce rural poverty started with the traditional system of local administration which made the paramountcy a basic unit of administration and development. The main sources of traditional council's revenue included levies imposed on commercial activities such as farming activities, logging and small-scale mining, incomes from commercial ventures and traditional court fines (Abayie, 1998; Dei, 1992). However, revenues generated from these sources were not enough and above all revenues raised were usually spent on the personal emolument of the chiefs and his council of elders. This is because there were no serious commitments towards public welfare spending since there was no distinction between personal incomes of the chiefs and that of the paramountcies' revenue. Thus accountability could not be called because of the sovereign nature of the chiefs. As a result, the level of

local development was limited even though the system provided for dependable and stable means of local leaderships (Korboe, 1998).

The colonial government incorporated the traditional system of local administration into the modern system of government through alliances which established the traditional councils and colonial powers. The paramountcies were adopted as the basic unit of administration through indirect rule approach to manage the local areas. In attempt to raise revenue for paramountcies the chiefs who interpreted the alliance to mean additional authority for taxation imposed taxes on the people. However, the colonial government abolished the poll taxes in 1861 because the chiefs did not keep proper accounts of the revenue collected nor was there any evidence to show the revenue being collected to promote local development (Acheampong, 1994 : 179). In attempt to streamline the collection of taxes, the colonial administration established the native treasuries which were manned by appointed native revenue collectors. However, this move was seriously obstructed by the traditional councils and the people ( Koboe, 1994).

In 1949, the Coussey Committee rejected the idea of the native authorities as a system of local government administration and recommended among others that the native authorities should be replaced by a democratically elected council. “The report nonetheless recommended that a place be found for traditional rulers who were recognized as having importance in the Gold Coast” (Dei, 1992: 42). The traditional councils were sidelined to make way for modern system of local government, which was later embodied in the first local government Act of 1951. This established a two-tier local government system comprising 26 district councils and 252 local and urban councils. The new Act faced serious financial and administrative problems due to many councils and non-viability of most of the councils. There was no way to effectively ensure local development and thus poverty reduction.

The first ever Ghanaian government led by Dr. Nkrumah capitalized on the already established control of local councils and manipulated the situation to his political advantage by increasing the number of the councils to 183. The main significant development was the abolition of the reserve seats for the traditional authorities and many conflicts among the council members due to top differences in the political inclination. As a result there was no local self-government under this regime and this did not promote local development and poverty reduction.

The National Liberation Council introduced a new form of local government with the view to restoring dignity in the local government administration. This was a four-tier system with the regional administration at the top, the district councils the local councils and urban councils at bottom. However, the system was left in the hands of civil servants with no elected representatives of the people. This did not change under the Progress Party regime. In this case there was no fiscal decentralization under both the National Liberation Council and Progress Party regimes (Aryee, 1992).

### **2.3 The Concept of Decentralisation**

Since 1983 developing countries have seen a transfer of power, resources and responsibilities to sub national units of government (World Bank, 1996). From the mid 1980, countries throughout the world began experimenting with some form of decentralization (Conyer, 1990). By the mid-1990s, 80 percent of countries in the developing world all with varying or different political dispensation were engaged in some form of decentralisation (Crook; Manor, 1998). Whether understood in an administrative sense (Rondinelli, 1983) decentralisation is seen as a policy framework in which public goods and services are provided primarily through the revealed preferences of individuals



by market mechanisms (Rondinelli, 1989). In an explicit democratizing function (Manor, 1999), decentralisation has become one of the core components of political conditionality in international development co-operation (World Bank, 1997). Across the political spectrum decentralisation has been favoured as a mechanism for improving accountability and transparency and for improving state - society relations. Thus, strengthening local government has been justified not only as a means of making government more efficient but as a way of increasing democratic participation (Aryee, 1995).

Decentralisation nevertheless has its skeptics. Schmidt (1996), points out that there are no prior reasons why more localised forms of governance are necessarily democratic and suggest that under some contexts decentralized institutions can be pernicious. The most obvious example of this is the indirect rule under colonialism, when local despots in the service of an imperial power exercised decentralised authority. Localized forms of governance offer no improvement on central government when bureaucratic control is unreasonably extended or when problems of affordability are provoked by rapid marketisation of public services (Lockwood, 2002). Moreover, local government has the potential for elite capture, or more pragmatically might not have the human or financial resources to cope with the demands made upon it by decentralisation strategies. In fact, it has been pointed out that there is little empirical evidence to support or refute the efficacy of decentralisation (Manor, 1999). Local government has an ambiguous and perhaps even contradictory role. On the one hand it is undoubtedly part of the state but on the other hand it can appear as a relatively autonomous sphere of government that is close to, if not part of civil society. As such, achieving effective local governance is crucial to the project of democratic decentralisation (Bird, 2001).

The general literature identifies decentralisation as referring to political and administrative reforms that transfer varying amounts and combinations of function, responsibility, resources and political and fiscal autonomy to lower tiers of the state (for example, regional, district or municipal governments or decentralised units of the central government). However, decentralisation may also transfer functions and responsibilities to quasi – state or private institutions (Rondinelli, 2002). For that reason, some critics point out that decentralisation is frequently associated with privatization in areas such as service provision, particularly where a neo-liberal agenda rules. Decentralisation is also linked to new forms of participation and interaction between a variety of institutional actors from Non Governmental Organisations (NGO's) and community groups at the local level, to big corporations in charge of delivering public services (Khor, 1999). Manor (1999) for example, suggests that decentralisation corresponds to administrative decentralisation and devolution to political decentralisation. Yet he himself realizes the usefulness of typology when he notes that devolution is likely to fail if it does not entail a mixture of political, fiscal and administrative components. Although many development circles favour administrative or political virtues of decentralisation, the truth is that privatisation or deregulation is gaining terrain as a force behind decentralisation particularly in the prevalent neo-liberal model (Rondinelli, 2002).

In practice, the various types and forms of decentralisation are not as easy to distinguish as their definitions suggest (Rondinelli, 1981). In real life they often occur concurrently, follow upon one another are mixed and matched, can pose contradictions or are somehow lost in translation of larger development trends. Many authors (Faguet 2004 ; Manor, 1999) observe that implementation raises an enormous number of technical and political questions. Moreover, decentralisation that fosters good governance at the local

level is essentially a political project and without it, the more technical tools are rather blunt instruments ( Ayee , 1996 ).

### **2.3.1 Decentralisation as Efficiency**

Decentralisation has been around for a long time and has gradually emerged “as a development strategy” ( Azfar, 2001). Decentralisation serves as a means for the state for providing more efficient services. It is argued that decentralisation can increase the efficiency of the responsiveness of government (Gordor, 1983). According to this argument, devolving resource allocation decisions to locally elected leaders can improve the match between the mix of services produced by the public sector and the preferences of the local population. Decentralisation is advocated on the grounds that lower tiers of the state can administer services or engage in development efforts more effectively and efficiently than the central state because they are closer to the people who use and benefit from them. Proximity is supposed to allow for greater responsiveness as a result of better access to information about local preference, needs and conditions (Shar, 2004). Decentralisation is also supposed to allow local resource to be mobilized more effectively. In general decentralisation is often expected to reduce spending and thus contribute to programmes of fiscal restraint, making it appear both to proponents and critics as a cost-cutting measure. However, according to Manor, there is little evidence to support the view that to cut costs in practice rarely reduces public expenditure (Manor, 1999).

Decentralisation will enable local government units to have sufficient technical and financial capacity to carry out their assigned functions. From this viewpoint, decentralisation in principle is good and this virtue depends upon political accountability and the inevitable need to strengthen local delivery capacity (Crook, 2003; Bird, 1999); (Aryee, 1995, 1996). Again the design and implementation of transfer of financial

resources is an important influence, for good or for ill on local spending decisions. Efficient revenue assignment and expenditure responsibility at different levels of government invariably means that local government units as a group will depend to a significant extent upon transfers from the central government (Asante, 2003)

### **2.3.2 Decentralisation and Participation**

Participation defies precise definition and it is used by a variety of people and groups in different circumstances to mean different things. White (1996, cited in Kyei, 2001: 61) maintains that ‘its seeming transparency- appealing to the people’- masks the fact that participation can take multiple forms and serve many different purposes. Participation connotes involvement in some activities with other people. Some may understand it to be the contribution of material and financial resources. To the politician ‘it implies manipulative rhetoric, trying to woo and capture people’s approval of their leadership and representation in a higher bureaucratic consultative position (Mulwa 1994, cited in Kyei, 2001).

Participation then implies influences on and involvement in development decisions, not just in the implementation of benefits of development programmes or projects (Feeney, 1998). “Many government bureaucrats often perceive participation as contribution of free labour and money by the people for the implementation of imposed government development projects. This becomes the means of supplementing scarce government resources” (Mulwa, 1994:16 cited in Kyei, 2001: 61). Development and social justice activities in community organizations local and international NGOs and Civil Society Organisations (CSO) as well as advocates in the research and academic communities are often attracted to decentralisation because they believe it can enhance equity and democracy (Goetz, 2001). From the perspective of development discourses that emphasize

sustainability, justice and agency, the primary rationales for decentralisation fall under the heading of empowerment.

Decentralisation is normally understood as political devolution or is advocated because it is supposed to give citizens better opportunities to participate, influence and monitor decision making and resources allocation and empowering them to gain more control over public decisions that affect their well-being. Empowerment, therefore, goes beyond decision making implementation, sharing of benefits or loss and evaluation. It involves “the sharing of power and scarce resources, deliberate efforts by social groups to control their own destinies and improve their living conditions, and opening up opportunities from below” (Dillon; Stiefel, 1997, cited in Acheampong, 1994, also cited in Kyei, 2001: 61). It embraces building up the capacity of the people to play an active and effective role in decision-making process, and influence the course of action taken by those in authority, who determine public policy to serve people’s specific and collective interests and aspirations (Mulwa, 1994). This is because local officials have better knowledge of local conditions and are more accessible to their constituents, they have the means and the incentive to be responsive.

Some also argue that decentralisation may improve the management of public service since through sheer proximity, local officials can be held more accountable for their performance. Government at the local level is also expected to be more responsive. For example, decentralised political systems are sometimes promoted in order to allow national minority to gain representation and defend their collective interest at the sub-national level, thus contributing to integration and promoting legitimacy and stability of the national political system (White, 1996). In the context of the enthusiasm for civil society in recent years, decentralisation has also been popular on the assumption that it offers more opportunities for engagement of civil society within the state. Genuine public participation

at all levels provides a foundation for democratic and responsive government for poverty reduction.

In Ghana, the decentralisation concept was introduced to ensure the participation of the local people in the design and implementation of policies and programmes of the District Assemblies through the establishment of the local sub-structures. However, the local sub-structures like the Unit Committees, Town or Areas Councils have not been functioning well due to lack of funds. In some communities these grassroots sub-structures are virtually non-existent. This may affect the extent to which the people can take part or influence decisions of the Assembly that affect them. The author agrees that genuine participation of the local people in the design and implementation of decisions which affect them can help to reduce their poverty levels.

### **2.3.3 Decentralisation and Accountability**

Accountability is the idea that power-holders must come out to answer to those who have delegated power to them. They must answer to them in the sense of explaining and justifying their actions (giving an account) and they should suffer penalties should their actions be found inappropriate or abusive (Goetz, 2001: 137). Either for interventions underpinned by efficiency or by empowerment arguments, accountability is claimed to be the most crucial element in successful decentralisation (Manor, 1999). Under efficiency arguments a World Bank report (1999) states that financial accountability is a main factor of success where a central government maintains a credible policy against bailouts, it forces sub-national governments and their lenders to live with the consequences of their decision (Deininger and Mpunga, 2005). They become accountable for their borrowing and lending. However, other forms of accountability exist. Craig, (2003) identifies three accountability mechanisms in decentralisation interventions:

- a) Horizontal accountability to other state actors, such as units and levels of government.
- b) Vertical accountability, accountability to actors outside the state such as individual citizens, the media or civil society organizations
- c) Downward accountability refers to accountability to the public or citizens

According to Craig (2004), decentralisation reforms in Africa emphasised upward accountability to the central government, while downward accountability remained weak at its best. In Ghana and for that matter the study area the District Assembly system seems to be accountable to the central government more than the citizens because of the non election of the District Chief Executive.

Decentralisation can lead to increased waste and squandering of public funds. The inexperience of locally elected representatives, the fact that they have received little or no training and will lend more importance to their electoral preoccupation in preference to the interest of the people (Smith, 1985). Decentralisation might be accompanied by more corruption. If, as is likely, corruption is more widespread at the local level than at the national level, then decentralisation automatically increases corruption. This outcome, by the way, might not be bad in terms of redistribution, because the “benefits” of decentralised corruption are probably better distributed than benefits of centralized corruption ( Manor, 1999). But it would-certainly increase the costs in terms of allocative efficiency, because it leads to the supply of services for which the levels of kickbacks are higher. It is also costly in terms of production efficiency, because it leads to corruption-avoiding strategies that increase costs, favour ineffective technologies, and waste time (Prud’homme, 1995). In Ghana in general and in this in particular there is very little knowledge among community members about the guidelines, disbursement, volume and utilization of the common fund.

This undermines their ability to demand accountability from authorities in charge of the disbursement of the Common Fund in the district.

#### **2.3.4 Fiscal Decentralisation**

Fiscal decentralization is commonly defined as the transfer of the fiscal power and resources from the central government to subordinate or quasi-independent (subnational) government units (Oats, 1999). There are four pillars of fiscal decentralization: the assignment of expenditure responsibilities, the assignment of revenue sources to subnational governments, the provision of intergovernmental fiscal transfers (grants), and the framework for local government borrowing and debt. Clearly, there is a multidimensional definition of fiscal decentralization; therefore, there is no single best measure of decentralization. However, a qualitative indicator of decentralization is needed for empirical analysis. The two measures most used are ratios for government revenues and expenditures. For expenditure decentralization, a ratio of subnational government (regional and local) spending to general government (central, regional and local) spending is calculated. This ratio measures the responsibility of the local government bodies for administering and delivering services.

For revenue decentralization, a ratio of subnational government revenue to general government revenue is calculated. This ratio measures the power of local government to finance their services (Boex et al., 2005). In Ghana, both the expenditure decentralization and revenue decentralization ratios are very low due to the statutory deductions of District Assemblies' shares of the common fund at both central and local levels as indicated in data analysis. Financial responsibility is a core component of decentralisation. If local governments and private organizations are to carry out decentralized functions effectively, they must have adequate levels of revenues as well as authority to make decisions on



expenditures. This can be achieved in two ways. Either the central government cedes the revenue base which local authorities can tap, or central government collects mandated revenues and transfers it to lower levels of government (Bahl, 1994). Decentralisation can take many forms which include self-financing or cost recovery through user charges; co-financing or co-production arrangements through monetary or labour considerations; inter-governmental transfers that shift general revenue from taxes collected by the central government to local government for general or specific uses; and authorization of municipal borrowing and the mobilization of either national or local government resources through loan guarantees (Crook and Manor, 1998).

However, what pertains in Ghana and for that matter in the study area is the inter-governmental transfers in which the central government sets aside 7.5% of total tax revenue of the state and distribute it among the District Assemblies in Ghana. Currently, the law establishing the local government system does not allow for district assemblies to obtain resources through both municipal borrowing and loans guarantee, although there are moves by the government to introduce a bill in Parliament on municipal borrowing to enable district assemblies to obtain finances through it.

In many developing countries local government or administrative units possess the legal authority to impose taxes, but the tax base is usually so narrow that they do not raise enough revenues and are therefore dependent on central government subsidies. In many cases, central government controls are so ingrained that no attempt is made to exercise that authority without prior approval. It is for such reasons that decentralisation initiatives recognize the importance of providing financial resources to decentralised units to enable or empower them to carry out their functions and responsibilities. Lack of adequate funding for low level units was the most important factor that undermined many of the decentralisation attempts in the 1970's and 1980's (Bird, 1993). Therefore for

decentralised units to perform the responsibilities devolved to them, they will need an appropriate level of fiscal resources.

In addition weak financial management capacities of local authorities, coupled with reluctance on the part of national governments to give up control of resources have resulted in weak local authorities. This situation encourages further curtailment and denial of additional tax base to local authorities reducing local authorities to ineffective entities (Bird, 2001). In Zambia for instance, where a recent initiative aimed to put in place a matching grant programme for rural development was introduced, it was discovered that district authorities had no power to raise revenues and so had no resources to match the funds provided by central government (Crook, 2003). However, even when local communities have the power to raise local revenues it does not necessarily result in them taking advantage of this point especially if the central government prescribes the level of tax rates which can be imposed and also define that tax base. Besides, the administrative costs associated with collecting small units of local taxes may be prohibitive (Boadway, 2000:171-200)

Improperly designed programmes of sub-national revenues sharing may not provide incentives to local institutions to maximize local fiscal effort (Crook, 2000). Notwithstanding this risk, fiscal decentralisation offers greater flexibility which gives local ability to mobilize their own resources to fund basic services. Without fiscal decentralisation, rural areas are likely to continue to be highly dependent on transfer from higher levels of government. Such transfers are normally vulnerable to political consideration which makes them unpredictable and therefore affect services delivery negatively ( Crook, 2000)

In Ghana, the decentralization concept has enabled the District Assemblies to generate their own internal resources for both recurrent expenditure and development projects. But they are not able to collect enough revenue to supplement the central government transfers for development. The situation in the study area is that there is huge revenue potential in the District but it seems the Assembly is yet to exploit that opportunity. In view of this the Assembly largely depends on the Common fund, which sometimes delays and therefore affects the development programmes of the Assembly.

Although fiscal decentralization reforms and intergovernmental finance have been an important element of international development activities over the past 25 years, fiscal decentralization and subnational finance have not always been approached with the same level of enthusiasm by the international development community. Almost invariably, the road to greater fiscal decentralization is described as having “dangers” (Prud’homme, 1994), “pitfalls” (Tanzi, 2001) and in need of “rethinking” (Litvack; Ahmad; Bird 1998). A recent global conference of decentralization experts focused exclusively on the *obstacles* to decentralization around the world (AYSPS, 2008), while a recent World Bank workshop highlighted local revenues and local regulation as major obstacles to economic development (Corthay, 2009). The hesitant support for fiscal decentralization reforms in international development circles has been compounded by some recent evaluations of support to decentralization reforms in lesser developed and transitional economies, which have been relatively critical of the effectiveness of support to fiscal decentralization reforms (OECD/DAC, 2004; World Bank, 2008).

Fiscal federalism literature has been hard to measure and relatively abstract. The practical concerns and potential costs of decentralized finance—macroeconomic instability, lack of fiscal discipline, inefficient public spending due to weak local administrative capacity, local corruption and local elite capture - often carry significant weight in policy

debates surrounding the topic ( Oats, 2005). It is hard to dispel this critical view of decentralization. While there are some developing and transition countries where fiscal decentralization reforms have been relatively successful, it is indeed quite hard to come up with developing country examples where fiscal decentralization reforms have been an indisputable success story (World Bank, 2008). Furthermore, to the extent that rigorous academic research has been done on the potential benefits of decentralization, little systematic evidence is available to confirm that decentralization is consistently a positive force in promoting economic growth, improved public service delivery, and poverty reduction ( Tanzi, 2001). In fact, until fairly recently the biggest potential benefit of fiscal decentralization—improved public service delivery—has largely been ignored in the empirical decentralization literature. As a result, disappointingly little is known about the determinants of effective decentralized public service delivery (Ravalion, 1996).

The political economy of decentralization and intergovernmental reforms is another important aspect of decentralization and intergovernmental finance that cannot be ignored. Given the complexities involved in achieving a more decentralized public sector, it should come as no surprise that decentralization processes are seldom linear, and are sometimes characterized as “taking two steps forward, one step back” (Olowu, 2003; 42). Yet since shortcomings in the pursuit of real-world fiscal decentralization reforms will fail to deliver the expected improvements in public service delivery, poverty reduction and the improved efficiency of the public sector, a concerted research agenda is needed to inform better policy practices in the field of fiscal decentralization and intergovernmental finance reform ( Brancati, 2009).

An important starting point in assessing the relevance of fiscal decentralization to international development efforts is acknowledging that fiscal decentralization means different things to different people. Broadly speaking, fiscal decentralization is typically

approached from one of four angles in international development. First, fiscal decentralization can be approached as a relatively narrow public finance reform with the limited goal of encouraging fiscal discipline and improving the efficiency, equity and effectiveness of public finances ( Boex; Tidemand, 2008). The public finance objective of reducing (centralized) public sector spending was the driving force for much of the fiscal decentralization (or “anticentralization”) reforms in developing economies supported by the World Bank and other international financial institutions as part of public sector reforms during the 1980s and early 1990s. These early reforms tended to focus more on reducing central spending and downsizing the ineffective, bloated, and overly centralized civil service apparatus in many countries, and did not always focus adequately on the introduction of effective subnational institutions (Olken, 2007).

In these cases, fiscal decentralization is generally treated merely as one of the several dimensions needed to achieve a more decentralized governance structure in a country. In contrast to the public finance-driven fiscal decentralization reforms, governance-driven decentralization reforms have tended to focus on the pursuit of policy objectives such as improving participatory governance, achieving community empowerment, ensuring accountability and supporting poverty reduction. The primary role of fiscal decentralization in such broader decentralization reforms tends to be to ensure that funds flow to the subnational level; this requirement sometimes comes at the expense of the level of attention that is paid to the design of the intergovernmental funding flows and the efficiency aspect of public finances ( Asfaw et al; 2007). In Ghana, the common fund has been designed to promote poverty reduction through rural development. However, the fund is challenged by delays and inefficient utilization by the local managers in the district. This may affect the number of projects the assembly may provide to improve the living standards of the people in the rural areas. In fact, in numerous developing and transition countries, enthusiasm

about democratic reforms has led to the emergence of a decentralized system where governance was placed as close as possible to the people, resulting in highly fragmented and inefficient small jurisdictions incapable of planning for, or delivering, the local public services assigned to them in an efficient manner ( Falleti, 2005).

Ironically, the first three motivations for fiscal decentralization reform tend to focus on policy interventions that largely take place at the central government level. As such, their impact on the quality of local governance and local public service delivery is often only indirect. The fourth motivation for fiscal decentralization reform is specifically to strengthen local participation. During the late 1990s, several developing and transition countries embarked on the consolidation of subnational jurisdictions or the re-assignment of expenditure responsibilities to higher government levels after realizing that functions were assigned to a government level with jurisdictions that were too small to effectively perform their duties. For instance, an analysis of intergovernmental fiscal flows in Tanzania which finds that externally funded development programs tend to be less timely and complete than the government's own recurrent transfer schemes ( Boex; Tidemand, 2008).

Furthermore, such local capacity development initiatives are not always received with enthusiasm at the central government level, as the benefits of these programs largely by-pass the central officials which oversee the sub national level. A successful fiscal decentralization strategy should address all four dimensions of fiscal decentralization noted above: public finance and intergovernmental fiscal relations, governance, sectoral reform and local government strengthening. Fiscal decentralization reforms will fail when devolution of fiscal resources is not accompanied by appropriate local governance. Similarly, the reform efforts will fail when policy reforms at the central level are not accompanied by capacity strengthening at the local level (Ahmad; Brosio, 2006).

No doubt, this problem has contributed to the limited real-world success of fiscal decentralization reforms around the world. This challenge is further compounded by the divergence of institutional incentives within a central government (Bahl, 2005). Even if there is strong political support for decentralization reforms at the highest political levels (the President and parliament), the institutions incentives are rarely aligned in such a fashion that the different stakeholders within the central government all champion comprehensive fiscal decentralization reforms at the same time. Yet without tackling both the fiscal as well as the non-fiscal aspects of fiscal decentralization reform in a comprehensive manner—and without securing the institutional support from the Ministry of Finance as well as the Ministry of Local Government and the relevant line ministries—fiscal decentralization reforms are virtually doomed to fail from the outset ( Bahl, 1999).

Much of the early academic literature on fiscal decentralization and subnational finance was developed in the United States and other developed economies, driven by the insights of prominent economists such as Tiebout (1956), Musgrave (1959), Buchanan (1965), Olson(1969), and Oates (1972). Much less attention was paid during this era to the empirical analysis of decentralized finance in the United States or other developed economies. The actual practice of early fiscal decentralization reforms in colonial territories and early developing economies garnered even less attention. The conceptual guidance that has arisen from the early public economics literature has been the hallmark of sound fiscal decentralization reform around the world for the last half-century: develop a subnational territorial-administrative governance structure based on the concept of fiscal equivalence; assign functions across different government levels in accordance with the subsidiarity principle; assign revenue sources to the local level based on the correspondence principle; provide intergovernmental transfers to fill the fiscal gaps which arise at the local level from externalities and redistributive policy objectives; and allow for subnational borrowing (and

provide capital development grants) to correct for the intertemporal mismatch between the costs and benefits of subnational infrastructure ( Bardhan; Mookherjee, 2006).

Another indicator of the limits on the state of knowledge surrounding fiscal decentralization is the uncertainty surrounding the effectiveness of fiscal decentralization reform in the real world. Empirical literature on the topic has thus far been unable to conclusively establish whether fiscal decentralization reforms are—as a rule—associated with economic growth or improvement of public service delivery (or improved public service delivery outcomes), or whether the risks and failures of fiscal decentralization (such as macroeconomic instability, local corruption or local elite capture) carry the day in decentralized countries and outweigh the potential benefits of the reform. These shortcomings in the (theoretical and empirical) fiscal federalism literature do not seem to be unrelated to the shortcomings of fiscal decentralization reforms around the world, particularly in developing and transition economies. While the specific challenges hindering the successful implementation of real-world fiscal decentralization reforms are often quite dissimilar across. Weingast (2006, 46) notes that because many institutional issues were often only dealt with in an implicit manner in the “first generation” fiscal federalism framework, “many decentralizations in the last 20 years have been designed without attention to these conditions.” A common problem encountered in such reforms appears to be the disconnection between the devolution of fiscal resources (whether as intergovernmental transfers from a central government’s own budgetary resources, or whether provided through external loans or donor grants) and the nature and functioning of subnational political and administrative institutions. Indeed, a shift has occurred in recent years in the debate surrounding fiscal decentralization and fiscal federalism. It is increasingly recognized that fiscal decentralization should not just be defined as the shifting of resources and fiscal authority to the subnational level, but rather as the empowerment of



people through the fiscal empowerment of their local governments (Bahl, 2005). As such, a consensus is gradually emerging around a “second generation” of fiscal federalism, which emphasizes that “institutions matter” and calls for the field of fiscal decentralization to look beyond the traditional fiscal pillars of decentralization that emerged from the early public finance and public choice literatures (Weingast 2006).

Although the contrast between the two generations within the fiscal federalism literature is perhaps over-emphasized, the newer strand of fiscal federalism literature recognizes that the concept of fiscal decentralization requires us to look beyond the strictly fiscal aspects of fiscal decentralization and, in fact, broadly co-opts the non-fiscal aspects of decentralization reforms as well. As such, this second generation of fiscal decentralization thinking urges policy reformers not to start from a blank slate when it comes to designing a country’s intergovernmental fiscal architecture, but to use the existing institutional framework in a country as a starting point for reforms, and to proactively incorporate elements of participatory and accountable governance and public administration into the design and practice of fiscal decentralization ( Ahmad; Brosio, 2006).

A common thread in the more recent fiscal federalism research is that local political and administrative institutions are no longer taken for granted; instead, it is explicitly recognized that the benefits from fiscal decentralization—whether in terms of improved economic growth, improved public service delivery outcomes, or improved allocative efficiency due to greater subnational discretion over public resources. are predicated on the need to have appropriate intergovernmental and subnational institutions in place (Martinez-Vazquez, 2003; Asfaw et al; 2007); the actual degree of local elite capture in India (Bardhan; Mookherjee, 2006); the ability of communities to detect corrupt practices and ensure accountability in Indonesia (Olken, 2007); and the determinants of effective local financial management in Tanzania (Boex ; Muga, 2008).

Sound economics and sound public administration require budgetary resources to flow in a manner that links these resource allocations as closely as possible with the policy objectives being pursued and with the desired policy outcomes. The budget formulation process should generally translate a government's policy desire to improve the quality of (or access to) primary education to increased spending on effective primary education programmes. For instance, budgetary norms or grant allocation formulas are often relied upon to ensure that primary education resources are distributed across the national territory in proportion to the number of school-aged children in each jurisdiction, possibly with some adjustments for regional cost variations and other needs factors (Oats, 2005).

Failure to address the intergovernmental dimension of public finance by failing to ensure that budgetary resources are distributed to the jurisdictions where they are needed most will almost certainly lead to a suboptimal use of public resources (Olken, 2007). While this point is often underemphasized in public expenditure reviews, intergovernmental financing mechanisms and fiscal decentralization (whether of the deconcentrated or devolved kind) are indispensable tools to enhance the efficiency public service delivery, to promote poverty reduction and to achieve sound public finance management (Olson, 1969).

The emphasis of the more recent literature has elucidated that, at least in the short to medium term, the absence of participatory mechanisms, efficient subnational administration and downward accountability provided by sound effective local institutions yield further constraints on achieving efficiency in the delivery of public services at the subnational level. As such, intergovernmental fiscal reform will not always require greater decentralization: sometimes more centralization or qualitative improvements in a country's intergovernmental fiscal or institutional architecture are warranted, especially when the possibility for achieving relatively accountable subnational governments is weak. Sound

fiscal decentralization reforms require sound decentralized finances as well as sound decentralized governance and administration (Olowu 2003; Weingast, 2006).

In reality, however, substantial effort within decentralization reforms has gone into improving the efficiency and effectiveness of intergovernmental fiscal mechanisms and decentralized public spending. Furthermore, not all countries are at the same stage of the decentralization process. In fact, for many previously highly centralized countries, establishing a new, elected level of regional or local governments and rapidly devolving financial resources to this level would be a highly risky and inappropriate approach. Rather than focusing on fiscal devolution in itself as being the logical end-point of any fiscal decentralization (or intergovernmental fiscal reform) process, these reforms should be seen as a much more gradual and iterative process, that involves the explicit recognition that fiscal decentralization is not only a technical fiscal reform process, but that such reforms are intensely political (Falletti 2005; Bahl; Martinez-Vazquez, 2006).

Indeed, a well-deconcentrated budget structure—if done right—can produce significant benefits over a fully centralized budget structure in terms of improved vertical fiscal balance, improved horizontal fiscal balance, and increased budgetary transparency. However, few proponents of decentralization would take satisfaction in achieving a well-deconcentrated system of public finances. As noted by Oates (2004, 349), “Contrasting forces, some leading to increased fiscal centralization and some to greater decentralization, are producing an ongoing restructuring of public sectors throughout the world.” In highly centralized countries (in which fiscal decision-making is fully concentrated within the line ministries at central level), the main intergovernmental policy concerns tend to be the presence of horizontal fiscal inequities and the lack of responsiveness of the budget formulation process to subnational needs (OECD/ DAC, 2004). The most common policy response to these predicaments is vertical deconcentration of functions of resources within

line ministries. In turn, the duplication and the lack of inter-sectoral coordination at the sub national level associated with vertical deconcentration tend to lead countries to pursue a horizontally deconcentrated approach. In turn, the absence of downward accountability in a horizontally deconcentrated structure promotes the pursuit of devolution. There is a logic to such sequence, as in every step, the increase in subnational fiscal discretion is balanced with increased subnational accountability in order to ensure the efficient and accountable use of public resources ( Falletti, 2005). Likewise, in the absence of elected local governments in a country, the development of bottom up participatory community institutions (such as community organizations, user groups or community development councils) is sometimes seen as a parallel structure. As such, social action funds or community-driven development modalities are often seen as unsustainable in the long run and a threat to the establishment of a functioning and sustainable local government system, as opposed to being seen (or used) as a stepping-stone for the establishment of a nascent local government structure (Oats, 1999).

With or without fiscal decentralization reforms, comparing the effectiveness of local governments in industrialized and developing economies provides a completely misleading and unrealistic standard. Indeed, developing countries would instantly cease to be developing countries if they had the capability to put in place public finance management systems (whether at the central government level or at the local government level) along the lines of those found in New Zealand, the U.K, or the United States. The proper counterfactual to be used in judging fiscal decentralization reforms (in any country, but particularly in developing economies) is whether a fiscally decentralized public sector is able to function, allocate resources and deliver public services in a more efficient manner than a more centralized system would, holding other conditions constant. Such a comparison would not pit decentralized finance in a LDC (with its low administrative capacity;

imperfect governance and accountability systems; elite capture problems, low revenue performance) against an ideal counterfactual, but rather against a highly centralized public sector in a developing country context (with its pitfalls of low administrative capacity; imperfect governance and accountability systems; elite capture problems, and low revenue performance (Ahmad ; Brosio, 2006).

One of the reasons for pursuing a decentralized system of intergovernmental fiscal relations in many countries is to promote the efficient delivery of public services based on the notion that local governments are more participatory, responsive and accountable public sector institutions. Our knowledge of how local governance, local administration and public finances impact the ability of local governments to deliver effective public services is incomplete. For instance, is it adequate to have elected councils at the local government level to achieve participation, responsiveness and accountability at the local level. There is some evidence to suggest that funding flows are equally disrupted—and similar leakages occur—in a centralized public sector when funding flows are run through multiple line ministries, directorate and offices, requiring bureaucratic sign-offs at each stage (Boex; Tidemand, 2008).

The goal of decentralization reforms is to empower local communities through their local governments; to achieve an equitable allocation of public services and resources across the national territory; and to improve the delivery of key public services, including education and health care. In the context of developing economies, assuring equity—in the form of policies designed to alleviate poverty- takes on even greater urgency. In many LDCs, such policy objectives are set forth in a national strategy for poverty reduction and economic growth, and a program-based budget structure is used at the central government level to link central government spending to the desired policy outcomes. However, since most pro-poor public services tend to be functions that—in accordance with the subsidiarity

principle—should be delivered at the local government level, the attainment of the Millennium Development Goals and other development objectives in a country will critically depend on the proper functioning of the nexus between fiscal decentralization and poverty reduction (Litvack,; Bird, 1998).

The implementation of fiscal decentralization and good local governance in rural areas in developing economies is often constrained a weak economic base, high poverty rates and low residential mobility. In contrast, urban areas in developing and transitional economies tend to have a much stronger economic base, while the geography of urban areas typically facilitates local participation, information exchange, and accountability. Under these conditions, urban municipal governments provide a platform for collective local action, where local governments can act relatively autonomously to identify the collective needs of the community, generate own source revenues, and to fund the provision of these local public services from own source revenue collections. The impact of basic municipal services (such as refuse collection and street lighting) on the quality of urban life is easily underestimated (World Bank, 2008).

However, in developing countries that lack an adequate degree of political decentralization, this link is easily broken: if local officials have no incentive to spend own source revenues (or unconditional resources) on priorities that have been identified by the local community—or if local communities are unable to hold their local officials accountable-, then local governments lose their function as a platform for collective local action. In turn, fiscal decentralization reforms should pay much closer attention to this issue. (Brancati, 2009).

Finally, a strong argument can be made that there is a need to elevate the level of technical assistance and degree of policy support during the design and implementation of intergovernmental fiscal policy reforms in developing and transition countries. Unlike the

delivery of routine technical assistance projects, the reform of a country's intergovernmental fiscal architecture is an intensely technical reform with important political and institutional dimensions. It is impossible to achieve a fiscally decentralized public sector where decentralized local governments efficiently deliver public services by following instructions from a handbook or by following a flow diagram. Instead, the successful pursuit of fiscal decentralization reforms in international development will require a combination of institutional insights, policy agility, and the advanced technical expertise to analyze, design and implement the right combination of interventions to make the intergovernmental fiscal system to work (OECD/ DAC, 2004).

#### **2.4 Dimensions of rural poverty**

At the heart of every human experience is the desire to survive and prosper, to live without fear, hunger or suffering. Rural poverty accounts for nearly 63 percent of poverty worldwide, reaching 90 percent in China and Bangladesh and between 65 and 90 percent in sub-Saharan Africa (World Bank, 2001). All groups of the rural poor are vulnerable to serious risk owing to changes in weather, markets, investment, and public policy (Ravallion, 1998). In almost all countries, the conditions- in terms of personal consumption and access to education, health care, potable water and sanitation, housing, transport, and communications – faced by the rural poor are far worse than those faced by the urban poor (Luzzi et al, 2006). It is important to recognize that poverty defies a precise definition because it is a multi-dimensional concept. Participatory poverty assessments reveal the many dimensions of poverty (Bibi, 2005). These include vulnerability, gender differences, crime and violence, seasonality and powerless. The words 'destitution', ill-being; powerlessness and vulnerability are frequently used in conjunction with poverty and that the

conceptual differences have become blurred (Ravallion, 1996). There have been many attempts at coherent definition within numerous poverty studies. However, perhaps inevitably, no single accepted definition exists reflecting the variety of approaches available to social scientists (Chambers, 1997; Ravallion, 1992).

Poverty means differently to people at different points in time. Most attempts for a definition are thus kept relatively open for subjective interpretation. For example, the World Bank, (2001) describes poverty as pronounced deprivation in well-being and emphasises that poverty has different aspects. Low income, limited access to education and health care, voicelessness, powerlessness, vulnerability and exposure to risk are considered equally important aspects of poverty. Similarly, the Development Assistance Committee (D.A.C) of the OECD defines poverty as the inability of people to meet economic, social and standards of well-being (OECD, 2001). Nonetheless, unless local level authorities have criteria to identify the poor, the design and implementation of policies and programmes for enhancing the well-being of the poor will be extremely difficult. This research follows these definitions and understands poverty as a state of unsatisfied basic needs and deprived well-being, very much in line with Sen's capabilities approach (Sen, 1983). This implies that the poor suffer from lack of capabilities, opportunities and freedoms. Importantly this lack refers to different dimensions of well-being which makes poverty a multi-dimensional concept. The poor are frequently powerless to influence the social and economic factors that determine their well-being (Ravallion, 1996).

In Ghana conscious efforts at alleviating poverty began in the early 1980s following the adoption of the Structural Adjustment Programme and later the decentralization concept in 1987. In 2002, Ghana Poverty Reduction Strategy (GPRS) was also adopted to address poverty in a comprehensive manner. However, it seems poverty levels among the people,



especially, the rural folk have not been reduced substantially. Households and communities are characterized as poor based on lowness of income, malnutrition, ill-health, illiteracy, lack of access to safe water and sanitation facilities, and general insecurity. These conditions combine to keep rural communities in persistent poverty. The analysis of poverty in the study area, therefore, focuses on three dimensions of poverty: income or consumption poverty, lack of access to basic services, and lack of participation in project selection and implementation.

## **2.5 Community Participation in Development Projects**

Community participation as means of implementing poverty reduction projects has been identified as a means of ensuring participatory and sustainable development. However, the application of this policy for implementation, especially poverty reduction projects has received mixed reactions (Osman, 2003). In recent years, the World Bank and other development partners have increased their focus on community participation and are supporting initiatives that would increase access of the poor to basic social and economic infrastructure and services, and power communities through participation in the selection, implementation, operation and maintenance of development projects (Botcway, 2001). In Ghana and the study area in particular, one of the vehicles for promoting community participation and improving access of the poor to basic social and economic services.

One of the vehicles for promoting community participation and improving access of the poor to basic social services is the counterpart policy which has been fashioned out recently. The policy operates through the concept of cost sharing with the view to promoting ownership and ensuring sustainability of development projects. It is based on the sustainable livelihood approach to poverty reduction attributed to Chambers and Conway (1992), which was based on the premise that the poor do not just have needs but they have

assets as a result the objectives of poverty reduction should be to strengthen the ability of the poor to pursue their own livelihood strategies and be active agents for changing their own lives.

According to Narayan et al (2000), the poor, among others, want community- driven development programmes so that they could shape their own destinies, end corruption and ensure accountability. Parker and Serrano(2000) in a study counterpart funding policy of Bolivia, Honduras, Peru, Zimbabwe, Malawi, and Zambia pointed out rural communities were willing to contribute to financing of projects as long as they could see the need for the project and were kept informed about the terms and applications of their financial contribution. Projects sustainability is significantly higher when communities control key investments decisions and paid part of the investment cost (Sara and Katz (997).

Besides, when the poor communities use their own resources to supplement the assistance from development partners their egos are boosted and these promote ownership and management of the projects. This was in line with the sustainable livelihood approach to poverty reduction (Moser, 1998 and Bebbington, 1999). This brings to the fore the importance of new thinking in development theory and practice that poor communities are not mere recipients of handouts but rather participants of their own development. This epitomizes the importance of community participation in decision making in projects that affects people's live. It also confirms the established view of Parker and Serrano (2000) that rural communities were willing to contribute to the financing of projects as long as they saw the need for the projects and were kept be informed about the terms and applications of their financial contributions. For this to be effective the participation of the communities in project decision-making should be limited to the project identification and selection. The

communities should be actively involved in the design of projects, especially in the determination of projects implementation periods.

Experience has shown that active and dedicated participation of the key stakeholders in the design and implementation of projects, especially those at the grassroots level, contribute significantly to the sustainability of development activities through increased ownership and more effective grass root level inputs (Alderman, 2002). The framework for Mainstreaming Participatory Development Process lists additional benefits such as (a) more appropriate intervention (b) better implementation and sustainability (c) better utilization (d) greater efficiency and better planning (e) greater transparency and accountability and more importantly increased equity and empowerment of the poor, women and other disadvantage groups. However, participation also involves risks such as (i) being time and resource intensive (ii) logistically difficult (iii) higher expectations, (v) domination by powerful and more educated elite and (vi) lack of adequate capacity (Fowler, 2000).

Depending upon the objectives of the project, processing missions should initiate dialogue with between the implementation and the target communities. This consultative should start at the initial stages of project formulation. Success of a project involving a participatory approach largely depends on an intensive publicity campaign to reach out to the target communities. This can be accomplished through direct mail, press release, media, advertising, workshops and meetings. Notwithstanding of these methods, it should be recognized that the poor and vulnerable communities may lack the necessary input into project proposals (Dayton, 2000).

Abraham and Plateau (2004) presents evidence on community participation processes in sub-Saharan Africa based largely on anecdotal evidence from their works in community based development. They argue that rural African communities are often

dominated by dictatorial leaders who can shape the participation process to benefit themselves because of the poor flow of information. Thus community participation in the selection and implementation of projects can be very difficult and may require slow and careful efforts to make communities more receptive.

The frequent tendency for participatory projects to be dominated if not captured by local elite is high led by several case studies (Katz and Sara, 1997), in a global review of water projects, find numerous cases of project benefits being appropriated by community leaders and little attempt to include households at any stage. They found that training community members was crucial for informed choice and for maintenance of projects and willingness to pay for them.

### **Effects of Poverty Reduction Programmes on Living Conditions of the People**

Poverty reduction refers to the designing, implementation and targeting appropriate methods to ensure that scarce resources are allocated to activities that are likely to yield the greatest impact on the poor and to decrease their levels of deprivation and vulnerability (World Bank, 2001, Sen, 1999). The definition of poverty is multi-dimensional as the current thinking on what constitutes poverty has evolved and broadened. In the 1970s, poverty was considered a condition of low income and inability to satisfy basic needs. During the 1980s and 1990s, however, poverty measures expanded to include non-monetary aspects such as primary education, basic health, life expectancy, empowerment, vulnerability, voice and participation. The simplest measure of poverty is the share of the population that falls below a certain income-poverty threshold. Other poverty measures include the headcount ratio index, the headcount ratio index, the poverty gap, Sen's poverty index, Watt's poverty index, and the Human Development Index (Boex et al., 2005).

Though the District Assemblies have undertaken many initiatives aimed at reducing poverty and bringing transformation of the rural standards of living, they have not had the desired impact on rural poverty reduction. Apart from the problem of trade and fiscal policies which have often been discriminated against agriculture, public expenditure allocations for agriculture are often inadequate and frequently misdirected. This is because the District Assemblies tend to be limited to physical infrastructure with little or no relevance to improving agriculture. In this case infrastructure that are of crucial importance to the local economy such as roads, water and electricity are normally not within the capacity of the Assemblies (Asenso-Okyere et al., 1997).

It is the consensus that spending on basic education, primary health care, feeder roads and rural water and sanitation types of expenditure for poverty reduction. In assessing whether public expenditure is pro-poor an examination of trends in the allocation of public resources to these sub-sectors is usually undertaken. The share of basic education in central government's education budget has declined since the 1990's. This has translated into a decline in the level of the unit subsidy for basic education between 1994-2004 (ISSER, 1999). This has put a lot of pressure on district assemblies to provide more educational facilities to meet the ever growing demand of these facilities in the rural areas. A number of rural communities in district still lack decent classrooms, teachers' living quarters among others as have been indicated in the data analysis section of the study. The insufficient nature of the common fund has prevented the Assembly to provide enough of these social services to improve upon the living conditions of the people.

It is agreed that poverty reduction strategies cannot succeed if they are not accompanied by policies to sustain rapid and improve income distribution. It is essential that new emphasis on poverty reduction be founded on a careful and frank independent of

the effects of macroeconomic conditions of the area. It is precisely for this reason that the new policy orientation towards poverty alleviation can succeed only if it leads to rapid and sustained growth and job creation (World Bank, 2001). It is in line with this argument that the District Assemblies were directed by the government to use 20% of their shares of common fund as poverty alleviation fund to expand job creation through credit support for small scale enterprises and farmers in the districts. The requirement was introduced in 1999 because it was noted that the projects being funded by the DACF were not those that directly promoted an expansion in production and employment. However, this laudable policy intervention could not achieve its intended results as the funds were poorly managed by most district assemblies. The government had to scrap it in 2007 and used the fund to support the Youth Employment Programme. This view has also been discussed in the data analysis section of the study.

## **2.5 Conceptual Framework**

Figure 2.4.1 shows the conceptual linkage between decentralisation and poverty reduction. According to Jong et al, (1999), cited in (Steiner, 2005) decentralisation can be used to achieve poverty reduction through the following positive linkages;

First, in the figure (2.4.1), decentralization leads to participation of the local people in decision making process. This may give them power over the production of public goods and services as well power to impose taxes to raise revenue for local development.

Secondly, decentralisation also ensures accountability from the local officers. This is because it enables the people to have voice or power to hold the local people accountable for decisions or actions taken due to the closeness of the people to the local officers.

This may lead to access to improved social services/ infrastructure and increased or equitable income be assured. According to Steiner ( 2005), this can bring about poverty reduction.

Although the framework (2.4 .1) that the study adopted was very comprehensive, and in many respects fits into this study, certain weaknesses were identified. First, the framework neglected the fiscal aspect of decentralization by relegating it to the background. It was redesigned to include the fiscal aspect of decentralization. Note that local governments have full discretion only when decision-making power includes authority over fiscal matters (Bird, 1999). Whatever local governments are made responsible for; they must possess the power over financial resources including tax-raising power and expenditure responsibilities. Otherwise services will be severely under provided, if not provided at all (Figure 4.5a). Thus the framework over-emphasized political and administrative aspects of decentralization to the neglect of fiscal aspect. The author, therefore, redesigned the framework to properly suit the study, which was mainly based on fiscal aspect of decentralisation (Figure 2.5b).



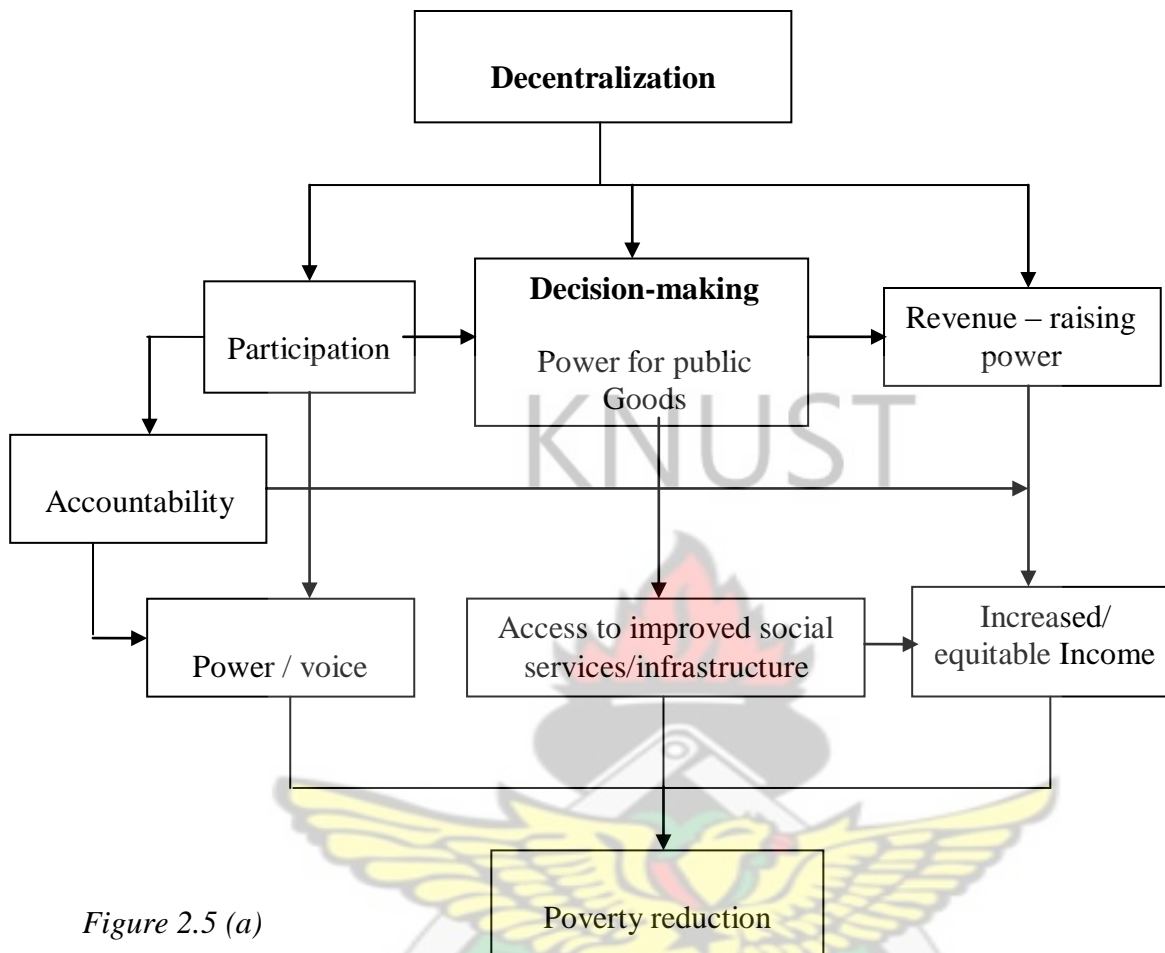


Figure 2.5 (a)

Source: Steiner, 2005

Steiner's Conceptual Framework on Decentralisation and Poverty Reduction.

Having defined poverty and decentralization, the question arises where to find the link between the two. Poverty is a complex and multi-dimensional concept, as a result its eradication cannot be achieved by any single solution like decentralization but it requires a combination of policies designed for country specific or even local conditions (Ayee, 1995). But in recent times decentralisation has been widely embraced by many African countries as most effective means of poverty alleviation, especially if the local authorities have control over resources. This may promote opportunities, facilitate empowerment and enhance security (Jutting, 2004).



**AUTHOR'S MODIFIED CONCEPTUAL FRAMEWORK ON DACF AND POVERTY REDUCTION.**

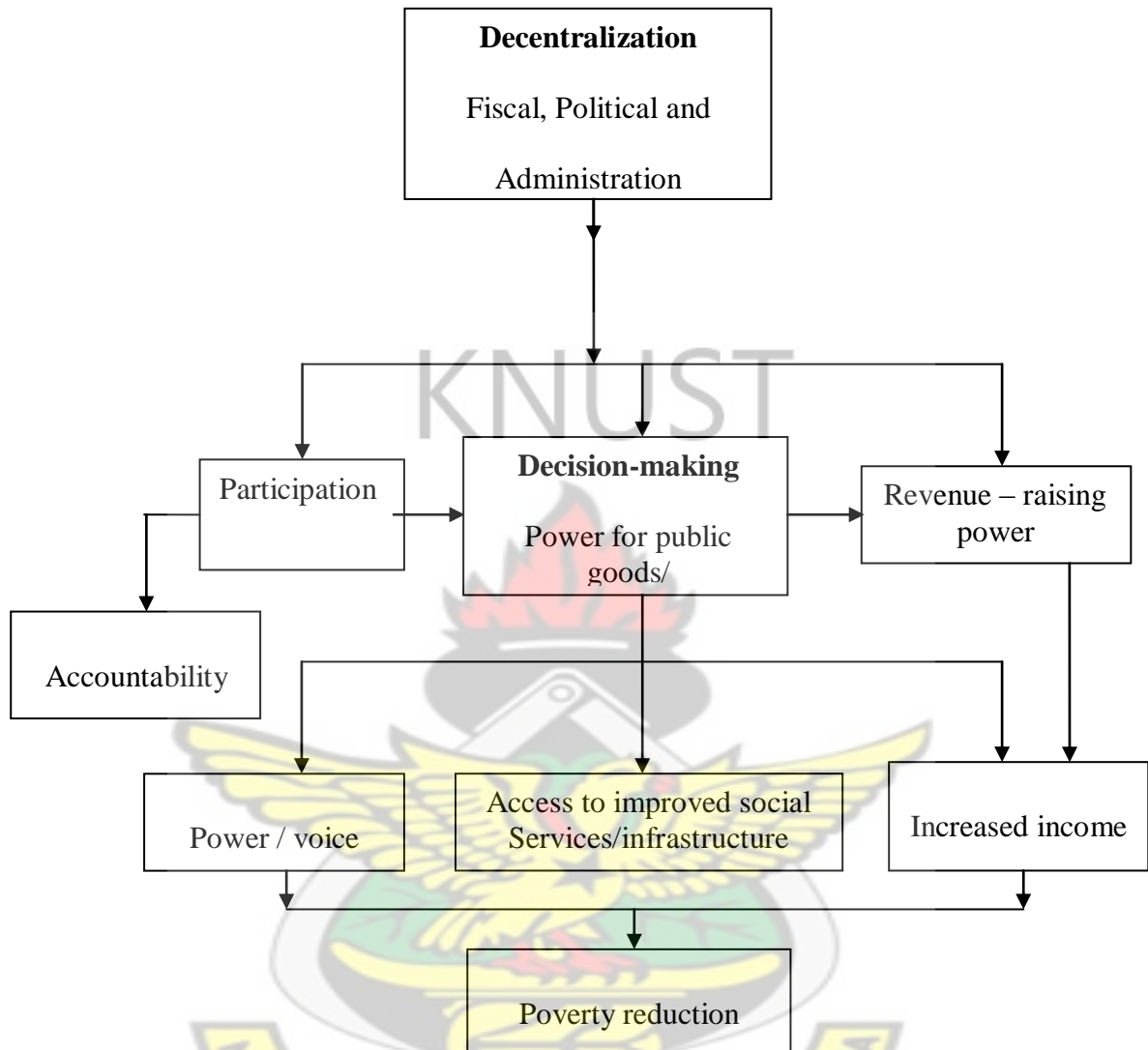


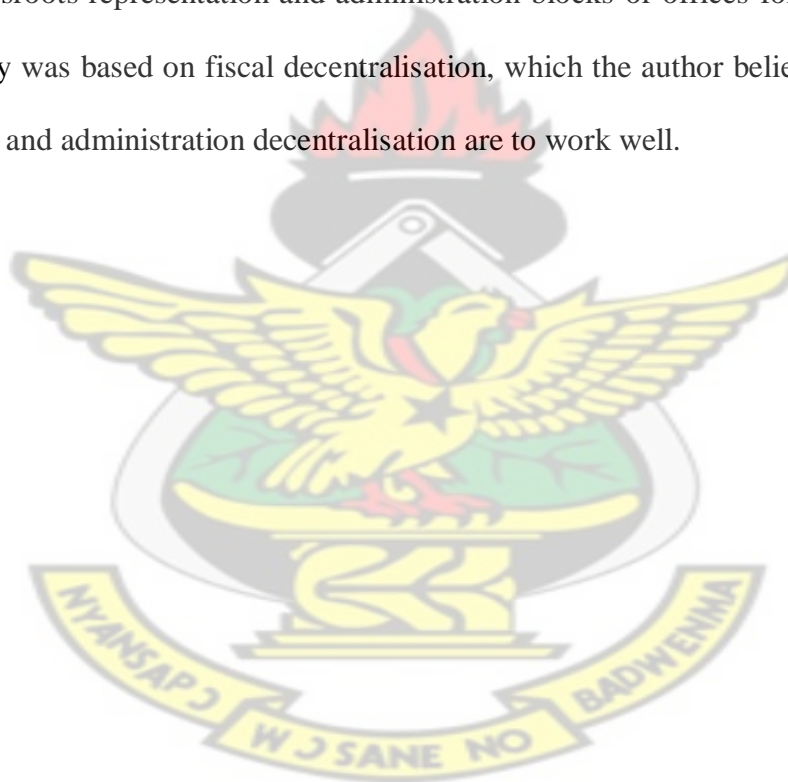
Figure 2.5 (b) The author's modified Conceptual Framework

**Source:** Adapted from Steiner (2005: 11)

Fiscal decentralization assigns expenditure responsibilities, revenue sources to district assemblies, the provision of intergovernmental transfers (grants) and framework for local government borrowing and debt. With fiscal powers, local governments can play a role in poverty reduction. The proximity of local government officials can improve both efficiency and of accountability in the provision of services since local officials are closer to the people. Increased efficiency in service delivery can improve access by the poor

to services such as education, health, water, sanitation, electricity, among others. Though decentralization promotes good governance, improves the prioritization of budget allocations, and helps to ensure that resources intended for the poor reach their destination, local government must have control and influence on fiscal matters, and this is what the modified framework intends to imply.

The District Assembly Common Fund was established in 1994 to make resources available to district assemblies to facilitate political and administrative processes for poverty reduction. That is the Common Fund has helped to provide urban, town and area councils to ensure grassroots representation and administration blocks or offices for the assemblies. Thus the study was based on fiscal decentralisation, which the author believes is necessary if the political and administration decentralisation are to work well.



## CHAPTER THREE

### THE PROFILE OF THE STUDY AREA

#### 3.1 Introduction

Asante Akim North District was established by Legislative Instrument 1418 of 23<sup>rd</sup> November 1998. The District was carved out of the erstwhile Asante Akim District Council. The District has a land area of about 1,160 square kilometers representing 4.5% of the size of Asante Region. The population of the District is 126,477 (2000, Population and Housing Census). For the purpose of decentralisation and local government representation, the district currently has one electoral constituency for government representation, 42 electoral areas for District Assembly parliamentary representation and 182 unit committees (A.A.N.D.A, 2004). The economy of the district is basically agricultural and it employs about 70 per cent of the working population. The district is also rich in gold through small scale mining, which started in the 1970s was closed down in the early 1990s but it was reopened in 2010. Being a rural district, poverty situation is high. This manifest in the lack of access to income, access to basic social services such as health and education facilities, portable water, sanitation and poor road networks and others (AANDA, 2004)

However, since the inception of the District Assembly Common Fund, the Assembly has received over 35 billion old Ghana Cedis between 1994 and 2007. The amount has gone into provision of basic social services, income generation ventures, creation of job opportunities and the provision of economic infrastructure in both rural and urban areas to help reduce poverty in the district. However, concerns have been raised about its proper utilization to benefit the poor people in the rural areas.

### **3.2 Location and Size**

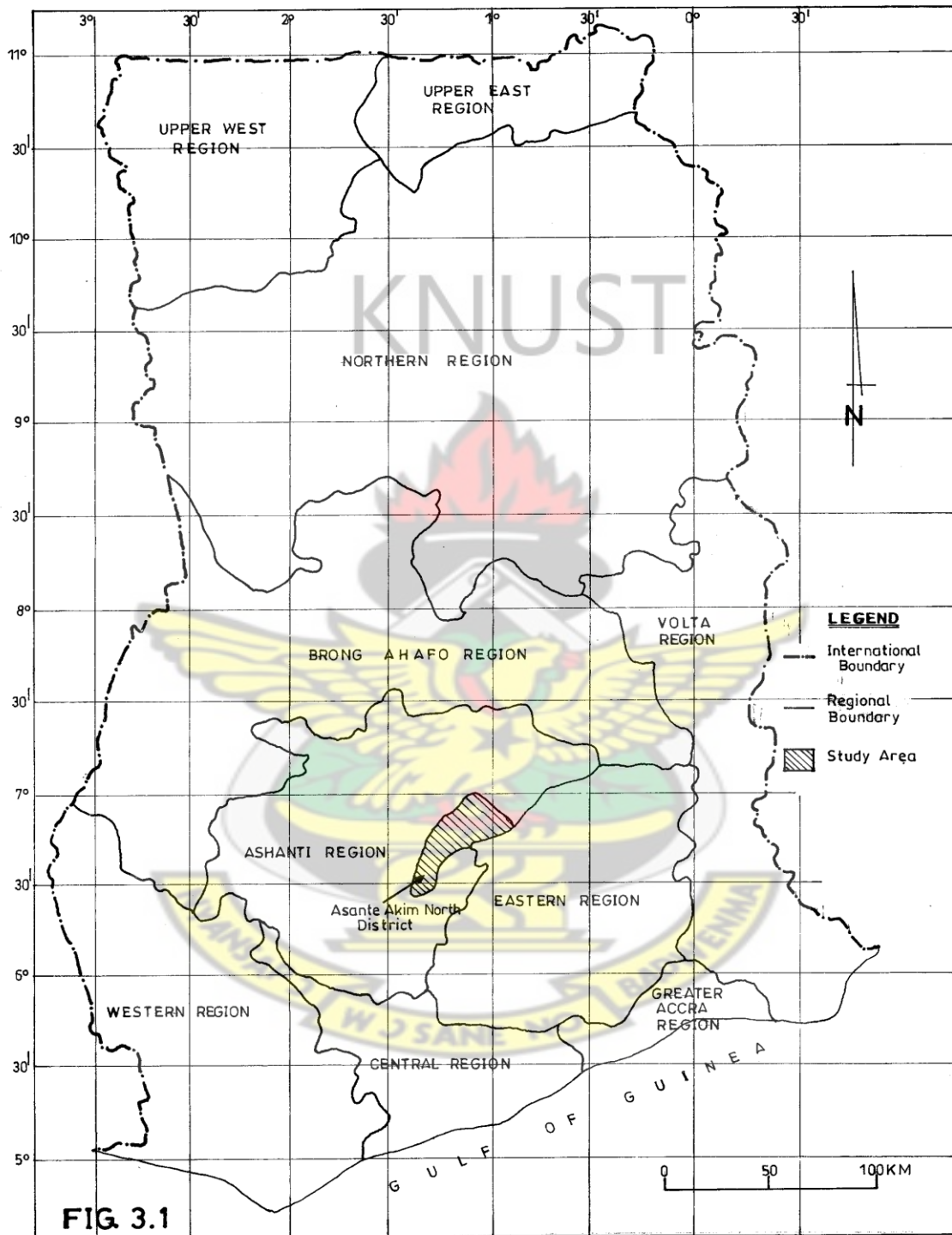
The district has a land area of 1,160 square kilometers forming 4.5 per cent of the size of Ashanti Region and lies between latitude 6°30'N and 7°30'N and longitude 0°15'W and 1°30'W. It is boarded in the East by Kwahu South District, in the North by Sekyere East, West by Ejisu Juaben and South by Asante Akim South District (See fig. 3.1 and 3.2).

### **3.3 Physical Characteristics**

#### **3.3.1 Relief and drainage**

The topography of the district is generally undulating. From the North, the land rises gently to heights between 305 and 610 metres but interrupted by a stretch of Akuapim-Mampong Range, which is between 610 and 762 metres. Beyond this range the rest of the southern part of the district is covered by highlands ranging between 305 and 610 metres. The highest point in the district is found at Agogo areas with a rise of 579 metres above sea level. Lowlands between 152 and 305 metres are found in the northern part where the land slopes gently towards the Volta Lake. The lowest point is around Konongo, which rises to 213 metres above sea level. The range serves as watershed for numerous rivers and streams which drain the district. Prominent among them are Anum to the West Owerri to the south, Oyin to the east and Onwan and Egyan in the north. The slopes at Kyiriyawa near Hweddiem and Onyem have created waterfalls which are yet to be developed as tourist sites in order to create jobs and incomes to the outlying communities. (Source: A.A.N.D.A, 2004).

## STUDY AREA IN REGIONAL AND NATIONAL CONTEXTS



**FIG 3.1**

Source: Asante Akim North District Assembly, 2007

# A MAP OF ASANTE AKIM NORTH DISTRICT

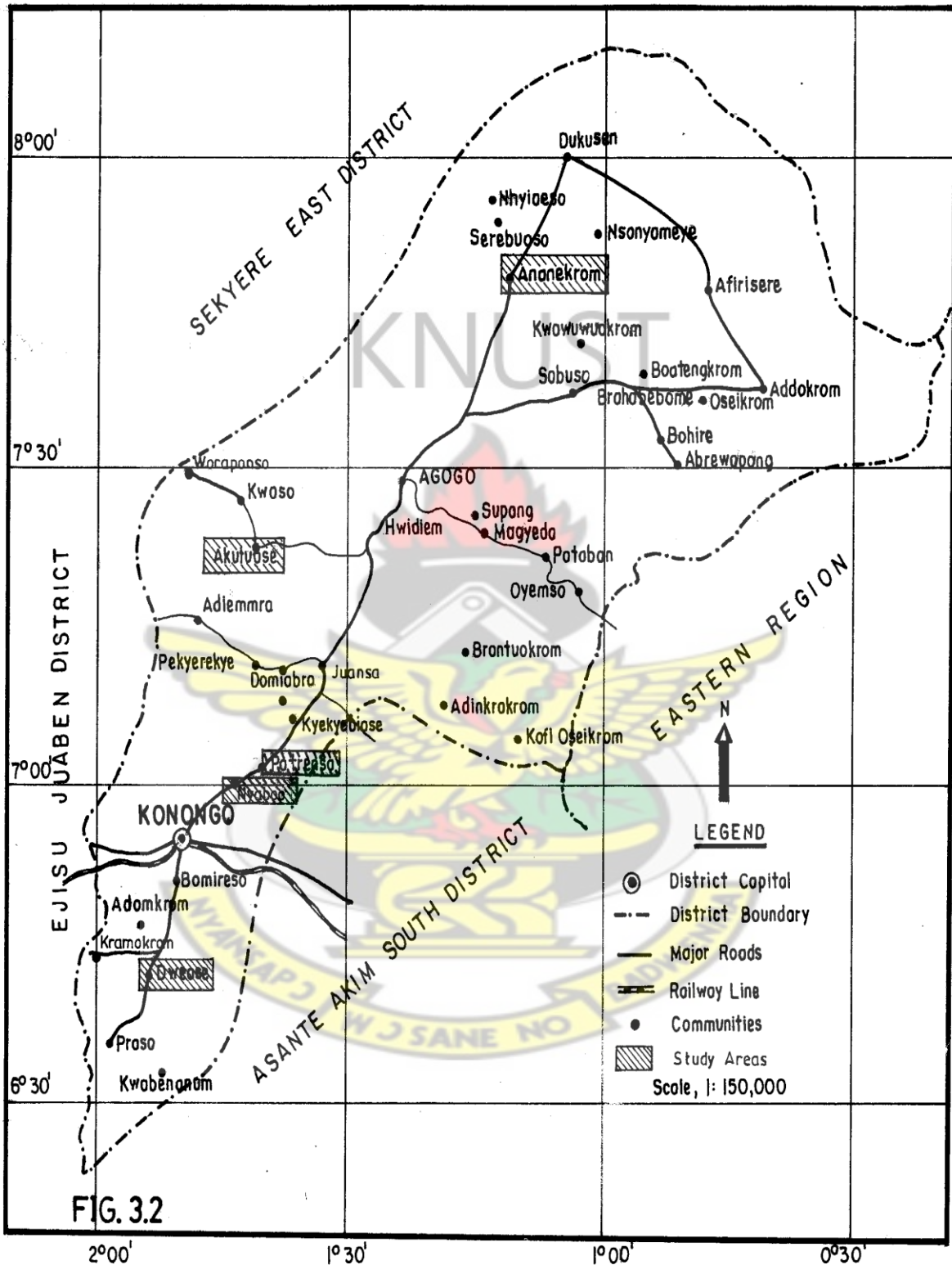


FIG. 3.2

Source: Asante Akim North District Assembly, 2007

### 3.3.2 Climate

Temperature is uniformly high all year round district with a mean annual temperature of 26°C. The district lies within the semi-equatorial belt and thus experiences double-maxima rainfall regime. The main season occurs between April and July and the minor season between September and November. At the micro-climate level, the dry harmattan season occurs between December and April and is associated with drought conditions. Streams get dried up during the season. The main rainy season occurs between May and July and between September and November the minor rains occur. Farmers in the district usually take advantage of the two rainfall regimes to do farming to improve upon their incomes.

### 3.3.3 Soils

Two major soil types have been identified the forest ochrosol and savanna ochrosol. The forest ochrosol is fertile and support cereals, oil palm, cassava, plantain, cocoa and vegetable. The savanna ochrosol is well leached and richly supplied with organic matter and support the cultivation of yam, maize cassava, groundnut and vegetables. The soils which support vegetative cover and crops are the product of parent rocks and climate conditions. The main soil types and their distribution in the district are the 'Ofinso compound' found in Praso and Dwease, the Wioso-Shai association at Konongo, Patriensa, Juansa, the Bekwai Oda compound at Adiembra, Kyekyewere, the Swedru-Nsaba complex at Akutuse, the Adukrom-Asikuma Association at Agogo, Hwidiem, the Juaso-Wioso association etc. However, beyond Ago and indeed some parts of the Afram Plains, the commonest type of soil is the savanna ochrosol, which differs from the forest ochrosol. It is well drained, porous and loamy but support crops like yam, maize, groundnuts, cassava and vegetables (AANDA, 2004). The Assembly can assist the farmers with financial credit to take

advantage of these good soils to undertake serious farming to improve their lots. The assembly could also assist them to process and market their produce in order for them to earn more incomes.

### **3.3.4 Vegetation**

The district lies within the moist semi-deciduous forest belt. The major vegetation types are: the open forest covering 576km<sup>2</sup> over the highland areas, the closed forest covering 230km<sup>2</sup> and the wooded savanna covering 246km<sup>2</sup>. These consist of varieties of different species of tropical wood such as Wawa, Ofam, Sapele, Sanfina, Okyere, Onyina, Kyenkyen, Otie and Yaya, have high economic value. Most of the original forest has degenerated into secondary forest and grassland due to indiscriminate felling of trees, bush fire and bad farming practices such as shifting cultivation, bush fallowing, slash and burn and bush burning for fresh forage for cattle feeding by Fulani herdsmen. In some parts, which fall within the Afram Plains the semi deciduous forest is gradually degenerating into interior wooded savanna due to intensive farming and the activities of the Fulani herdsmen. The forest serves as a source of income to private companies, traditional authorities, the District Assembly and individuals. It is also rich with delicacies such as snails and mushroom, which are in season between March and April (A.A.N.D.A, 2004). However, most of them have gone extinction due to rampant bush fires. The Assembly is however, assisting the Rural Enterprises Project to train some people in grasscutter, snail rearing and mushroom cultivation to improve upon their living standards. A portion of the common fund has been made available for this exercise.



### **3.4 Demographic Characteristics**

#### **3.4.1 Population Size**

The population of Asante Akim North District for the censal periods 1970, 1984 and 2000 were 6,624,891,466 and 126,477 respectively. The District has a male population of 64,174 (50.7%) and female population of 62,303 (49.3%). The above population gives a growth rate of 2.3 between 1970 and 1984 and 2.03 between 1984 and 2000. Comparatively, the current growth rate is lower than that of the region's rate of 3.4 per cent and the national rate of 2.7 per cent. While this rate is low in comparative terms it is quite high in development terms. It means a lot more development will have to be put in place to ensure better living standards for the people. The fall of growth rate can be attributed to factors such as out migration as a result of the collapse of the mining industry which used to attract migrant labour. The population density for the District is 109 persons per square kilometers in 2000 (A.A.N.D.A, 2004). Population is more concentrated in the southern portion of the district than in the north. This has had much influence on the pattern of development in District. Majority of services and socio-economic infrastructure are concentrated in the south. The distribution of the population in the District is highly skewed towards the southern portion, with over 70 per cent of the District population. The four towns (i.e. Agogo, Konongo, Odumasi and Patriensa) alone have a population of 70,655 (57.9%). This has greatly influenced the distribution of common fund projects in district as the urban areas have benefited from common projects and programmes more than rural areas.

**Table 3.1; Urban Populations**

| <b>Name Of Settlement</b> | <b>Population</b> | <b>% of Dist Pop</b> | <b>No. Of Houses</b> |
|---------------------------|-------------------|----------------------|----------------------|
| 1. Agogo                  | 28,271            | 22.4                 | 2,027                |
| 2. Konongo                | 26,735            | 21.1                 | 1,947                |
| 3. Odumasi                | 10,582            | 8.4                  | 769                  |
| 4. Patriensa              | 5,068             | 4.0                  | 535                  |
| <b>Total</b>              | <b>70,656</b>     | <b>55.9</b>          | <b>3,526</b>         |

**Source:** Ghana Statistical Service, 2000.

### **3.4.2 The Age Structure of the Population**

The age and sex structure of the population of Asante Akim North District is basically shaped by the effect of mortality and fertility rates. The structure, typical developing country, has a broad base and tapers off with increasing age due to death (mortality). The age structure as typical of less developed countries is characterized by large proportion of children (i.e. under 15 years), and a small proportion of the elderly persons (above 64 years). It is noted that 15% of the population are aged between 0 – 4 years, whilst 28.3 per cent are aged 5 – 14 years. There are more children than the elderly with an elderly/children ratio of 1:18. The dependency ratio of the district which is the ratio of people aged between 0 – 14 and 65 years and above to the potential labour force is 1:9 (A.A.N.D.A , 2006-2009). This in effect means that one potential worker caters for additional person. This is an indication that the dependency load is high and this reduces the income of the working population in the district. The phenomenon has some implications on poverty and its reduction in the district. The Assembly must incorporate population issues into all of its activities if it is committed to reducing poverty in the district.

### 3.4.3 The Sex Structure of the Population

Generally, there are more males (51%) than females (49%) in the district. This does not match with the national situation. This is contrary to the national situation. However, this has declined from the 53 per cent recorded in 1984. It is noted that 15 per cent Even though there are slightly more male than female in the total population, as already stated, female form slightly higher proportion (50.3%) of the potential labour force of the population, which is an indication of the high migration rates of the male population in the district.

### 3.4 Access to Social Services

The poor in Ghana have limited access to social services and infrastructure. Public expenditure on education, health, water supply and sanitation is low. For example, public expenditure is averaging 1.2 per cent of GDP. Majority of health facilities are in urban areas. Only 3 per cent of rural households have access to a doctor in their communities and only 50 per cent of the rural population lives in communities with a modern health care facility. Public expenditure on education averaged 3.7 per cent of GDP in 1993 (GLSS, 1991/92)

#### 3.4.1 Health care

Whereas access to formal health facilities is constrained both in the rural and urban settlements by cost of the service, access is further constrained by poor nature of roads to the facility translated into cost of transportation in the rural settlement. The people perceived efficacy of treatment, cost of transportation, status and seasonality of incomes influence the clavicle of the poor in utilizing a health facility. Most of the rural people consider drug stores as cheaper than the services of clinics and hospitals. The rural clinics

and health centres do not have enough health personnel to take care of sick persons (AANDA, 2006).

#### 3.4.2 Education

Access to and utilization of formal education facilities is constrained by low incomes, cost of education not in terms of school fees but other requirements such as uniforms, textbooks, furniture and development levies. The more serious constraints of the educational system are its poor quality reflected in poor school structures, particularly in the rural settlements, which leads to disruptions in academic work during the wet season. There is unavailability of competent, diligent and highly motivated teachers in the rural areas as well as inadequate supervision of teachers due to inadequate logistic support for supervisors. These result into poor examination results in the district especially in the rural areas.

#### 3.4.3 Water and Sanitation

Sources of water for the urban settlements are pipe-borne while those of the rural settlements are from surface and under-ground untreated sources. Greater number of the people in the rural areas has no access to portable water. Rural settlements generally use pit latrine facilities, constructed and managed through community participation. Urban latrines are mostly of the cesspool emptier type and are maintained and managed by the District Assembly. Free range disposal of human excrete and refuse, while common in both rural and urban settlements are far worse in the rural than urban settlements. Most of the rural communities do not have access to proper sanitation facilities. The high incidence of diseases in the district namely; malaria, typhoid, schistosomiasis and diarrhea in rural communities are largely attributed to poor sanitation in the district.

### 3.5 Economic Activities

Major economic activities in the district include agriculture, industry, mining, services and tourism. These economic activities have a lot of implications on poverty and its reduction in the district. Among other things, these economic activities provide employment to a lot of people in the area (Table 3.2 ).

#### 3.5.1 Agriculture and Industry

The major economic activity in the district is agriculture. It accounts for over 70 per cent of the labour force. The major primary produce in the district are maize, cassava, plantain, yam, cocoa, tomato, garden eggs and other vegetables. Majority of the people earn their living from farming activities. Industrial activities are on a very low scale. Farmers from rural areas sell their farm produce in their raw state. Tomato farmers at times dispose off their produce at very low prices since there are no avenues to process them. There are however, some private entrepreneurs who are engaged in wood processing, batik making and gari processing with the assistance from the Rural Enterprise Project and the common fund.

#### 3.5.2 Mining and Services

Mining used to be a major economic activity and a major source of employment in the last decade but Konongo Mines has closed down and is yet to be reactivated. There are however, small scale mining activities in and around Konongo-Odumasi. Services ranks next to agriculture in terms of employment and income. There are a number of artisan groups (mechanics, seamstresses, hairdressers, petty traders etc.) and other professionals who are engaged in a number of business ventures in the district. Some of these businesses benefited from the poverty alleviation fund to improve upon them.

### 3.5.3 Tourism

There are a number of tourist sites which can be developed to boost tourism in the District. These include waterfalls at KyiriKyiriwa and Oyemso, shrines at Kyekyebiase, Juansa and Agogo. However, these sites are yet to be developed. Access to these areas is inhibited by poor road network. The Assembly should earmark portion of common fund allocations to develop these roads to open up the area to tourists. This can create jobs and provide sources of income for the people in the communities around these tourist sites as well as providing revenue for the Assembly. Therefore the Assembly can then get revenue to supplement the DACF for development of the communities.

**Table 3.2 Occupational Distribution of Labour**

| OCCUPATION         | PER CENT |
|--------------------|----------|
| Primary Production | 74       |
| Manufacturing      | 2.5      |
| Services           | 12.5     |
| Unemployed         | 11.0     |

*Source: Statistical Service, 2004, Konongo*

### 3.6 Incidence of poverty

Poverty in the district is perceived as the individuals or households inability to work, earn incomes have access to basic necessities (food, shelter, and clothing) and formal social services at the minimum quality desired and also contribute towards the community's development efforts and the welfare of the needy. Two main categories of the poor have been identified in both the rural and the urban areas of the district. Those who could be classified as: those in hardships but hardworking who could afford some meals a day,

modest shelter and clothing, but are unable to access formal social services (health, education, water and sanitation) or if they could, can only pay by installments or borrow and repay by their labour, and the very poor and vulnerable, who are unable to work and earn incomes and therefore cannot afford basic necessities and have to depend on others for their livelihood. The able poor are mostly made up of the unemployed, who often do not have any reliable means of income and the under employed who are often found in lowly paid self-employment or as casual laborers within the rural and urban settings. The disabled poor are the vulnerable and the physically challenged who solely depend on others for livelihood.

### **3.7 Effects of poverty**

The effects of poverty are broken homes, child labour, and teenage pregnancy, school drop out, child neglect, street children, disabilities and drug abuse. These effects have the most severe impact on children, youth and women and are of direct social welfare concern. A greater number of children in the urban areas engage in various form of labour, while school children in the rural areas work after classes or are engaged in farming activities during peak season (A.A.N.D.A, 2006). Teenage pregnancy is quite common and apparently more prevalent in both the rural and the urban areas. Reasons for teenage pregnancy include poverty of parents, broken homes, parental neglect, child labour which over-expose the girl to temptation of casual sex while hawking, peer pressure and fashion craze.

Perception of disabled is often mixed. They are variously perceived as liabilities, sick, useless or incapable and receive little attention from family members. The adult disabled persons to a large extent struggle to take care of their own needs. The limited care provided

them is more at the nuclear family than community levels. Though the basic needs (food, shelter and clothing) of disabled children are provided, the nuclear family is generally reluctant to invest in the career development of the disabled. It was learnt that the Assembly had been instructed by the central government to set aside 2 per cent of its common fund allocations to support the disabled persons in the district ( MTDP, 2006-2009).

There are slight variations in terms of needs prioritization, however the expressed needs of both the rural and urban population is skills training, and finance for self-employment, economic activities and opportunities for wage employment. Social sector needs prioritization is relatively more consistent across gender but split along the rural-urban divide.

### **3.8 Sources of income**

Majority of the Households earn their incomes from crop farming business/trading, salaries and remittances. Only a small percent of the total income of the sample in urban centres come from rent. It must be noted that the dominance of agricultural sector as the main source of income is not good for the development of the District. With traditional mode of farming, incomes are not stable and capital accumulation becomes very difficult. The micro-economy of the District is therefore, very fragile. The mean monthly income from a survey is found to be around 29. 80 Ghana cedis. This gives an annual mean of 357. 14 Ghana cedis (A.A.N.D.A, 2004-2006). But there is a clear indication that the incomes of people living in the rural areas are far lower than those in the urban areas.

### **3.9 Income and expenditure patterns**

The highest proportions of peoples' incomes are expended on food, transportation, toiletries, funerals and other social functions. Consistent seasonal variations were observed in the income and expenditure patterns of rural households and urban market women



(AANDA, 2004- 2006). Rural incomes tend to go up between October and December, and spill into January and February when there are bumper harvest and decline steeply from March towards September, depending on the gestation period of the most important cash crops cultivated. This also explains the longer hunger gaps often experienced when there is poor harvest. The income situations of most of the rural population are most severely depressed between March and June. In general, the period of depressed incomes occurs within periods when food stocks are depleted. Incomes had already been spent on clearing debts and on social functions, when investments have to be made into crucial agricultural operations, and farm activities are most intense. Within the rural setting, female household heads could be said to be poorer than men, while women and the youth in urban set ups seem to cope better with poverty than their men and the rural areas. These conditions partly accounts for sexual promiscuity in women with potential consequences for teenage pregnancy and HIV/AIDS infection. In both the rural and the urban scenes, women, whether single parents or those in stable marital relation tend to bear the greater portion of the poverty burden of the household, since most men neglect the upkeep of the households. Seasonal variations in incomes also indicate that poverty deepens during the periods between March and June and less severe between October and February ( AANDA, 2004-2006).

## CHAPTER FOUR

### INSTITUTIONAL CHALLENGES AND UTILIZATION OF THE COMMON FUND

#### 4.1 Introduction

In order to properly assess the efficiencies in the utilization of the fund for projects and programmes for poverty reduction, a critical look was taken into some institutional problems affecting the utilization of the common fund. This include how projects were selected and awarded on contract, management of completed projects, central government interferences, projects monitoring and evaluation and over-reliance of the Assembly on the DACF due to inability to generate sufficient internal funds, the level of involvement of the people in project selection and implementation, and utilization of poverty alleviation fund.

#### 4.2 Project Selection and Approval

Project selection and approval is very critical in the community's acceptance of a project and programmes and in ensuring effective poverty reduction process ( Kyei, 2001). It has been observed throughout the country that some communities have failed used certain common fund projects provided by their District Assemblies. These projects include abattoir; markets, classroom blocks, KVIPs, incinerators, among others. This practice does not ensure proper utilization of the district assembly common fund to reduce poverty levels in the communities.

According to the District Chief Executive, development projects are selected based on the felt needs of the beneficiary communities. However, he claimed that the Assembly through the Assembly members informed the communities of proposed projects before they

were executed. He insisted that in most cases the project must fall within overall policies and programmes of the central government's poverty reduction strategies such as Ghana Poverty Reduction Strategy programme.

However, the chiefs and opinion leaders, men, women and the youth of the discussants in the four communities were not happy with the level of involvement of the people in selection and approval of projects. Focus group discussions were held in separate communities to ascertain the extent to which the Assembly involved the people in selection and implementation of projects.

In a focus group discussion with chiefs and opinion leaders at Nyaboo the discussants said that they were not informed about construction of the incinerator and it was not their priority project. It was learnt that the project was not being used at the time of this research. An opinion leader in the village described the project as "useless".

The study also learnt that the market sheds at Ananekrom were again not being used by the community. It was however, learnt that the main reason why the community rejected the market was where the Assembly had located the project. The respondents said the market place was far away from the community and that the buyers preferred buying from sellers who sold in front of their houses. Out of 24 sheds, only 3 sheds were being occupied by sellers. A tomato seller remarked

*"we have decided to use the market but others have refused to sell in the market. They sell their wares in front of their houses and in the streets. The chief should force them to come and sell in the market else we will also go back to sell in the streets because the people do not want to come to the market."*

It was observed that most buyers did not buy from the market but from streets and in front of houses. The market was empty at time the researcher visited there.

At Patriensa, the discussants said that though they were not informed, the library project was useful and could help to raise the level of education in the community. However, they expressed worry about the inability of the Assembly to provide furniture and books in the library. The project was not being used by the people after its completion in 2007.

At Dwease, discussants said they liked the classroom project. It was learnt that the project was their priority project and that they believed that the project would help their children to get quality education.

At Akutuase, the discussants comprising 6 persons of the youth group and 3 persons from men group said that they did not like the KVIP because the project was not properly constructed. However, the chiefs and opinion leaders group made up of 11 said they liked the toilet but no arrangement had been made by the Assembly to keep the place clean. A young man lamented “we preferred the bush to this toilet.” It was observed that most of the people did not use the project due the bad nature of it. This, therefore, invalidates the proposition that communities are involved in the selection and implementation of common fund projects.

#### **4.3 Contract awarding process**

One major institutional problem, which affects efficient utilization of the District Assembly Common Fund is the nature of the contract awarding process by the Assembly. There have been a number of complaints about the inefficiencies existing in most of the District Tender Boards and alleged corrupt practices associated with the contract awarding process in most District Assemblies in the country (Ayee, 1996).

The Assembly's contract awarding process is based on Act 663, which is strictly followed because the Assembly has a procurement plan. The District Tender Board has the District Chief Executive as its chairman. Other members include the District Co-ordinating Director, Presiding member, Finance Officer and Planning Officer. On the awarding process, the Assembly first advertises for the projects for interested contractors to bid for them. The Assembly will then select the contractor with good track record and has tax payment certificate. The Assembly uses the least cost concept to select the winner for the project. On the project costing, a prototype design of the project is first obtained for appraisal. After this 10 percent cost margin is added to offset inflation and 10 percent cost component for contingency. But the planning officer complained,

*"I do not understand why in some instances the contractors were able to quote exact sum conceived by the District Tender Board and stressed that there was something fishy in the contract award process. This practice results in the delays, shoddy works and high contract sums for common fund projects in the district".*

The communities also complained about shoddy works of some contractors working on common fund projects as well as the high contract sums of certain projects. Table 4.2 shows synoptic view of some selected projects and their costs, which have raised concerns by some of members, staff and the people in the communities. Also shown below are pictures of those projects. Although the study could not prove any alleged corrupt practices regarding the contract awarding process, high costs and poor execution of common fund projects have undermined the efforts of the Assembly to use the fund judiciously in the development of the rural areas.

**Table 4.1; Selected Projects and their Costs (in old Ghana cedis)**

| Communities | Project                      | Project Type | Project Cost | Year Completed |
|-------------|------------------------------|--------------|--------------|----------------|
| Dwease      | Six units classroom blocks   | DACF + VIP   | 820,401,565  | 2002           |
| Ananekrom   | Six- seater KVIP             | DACF + VIP   | 480,401,565  | 2003           |
| Akutuase    | Open market sheds            | DACF + VIP   | 420,000,000  | 2004           |
| Patriensa   | Library Complex              | DACF + VIP   | 920,212,213  | 2005           |
| Nyaboo      | Three units classroom blocks | DACF + VIP   | 420,211,219  | 2006           |

*Source: A.A.N.D.A. Budget Office Records, 2007.*

The respondents considered the costs of these projects to be very high and this was the reason why they complained about the costs of these projects. A respondent at Dwease believed that the costs of the projects were high because he was aware of the cost of material used, the community provided communal labour for some days and he had been a contractor before.

The researcher therefore, went back to find out from the Assembly about this view. An officer said that the respondents in the communities could be right because the consultancy fee component of the contracts always put the contract sums high. It was learnt that the consultancy fee ranged between 5 – 10 per cent of the project contracts.



*Plate: 4.1 - Six Units Classroom Block at Dwease*



*Plate 4.2 - Three-Units Classroom Blocks At Nyaboo*



Plate: 4.3- Library at Patriensa





*Plate: 4.4 - Six – Seater KVIP at Ananekrom*



*Plate 4.5 (a): Open Market sheds at Akutuase*



*Plate: 4.5 (b) - Open Market Sheds at Nyaboo*

#### **4.4 Inadequate Capacity**

Another institutional factor, which affects the utilization of the common fund, is inadequate training, capacity building for staff and members of the Assembly. It is unfortunate that close to two decades of the District Assembly concept, some assemblies have not been able to attract a certain caliber of human quality at both levels to manage and judiciously utilize the fund.

The staff and members of the Assembly did not receive regular training and capacity building in spite of the low calibre of staff in the Assembly to carry out the decentralisation process at grassroots. According to the Co-ordinating Director, staff posted to the Assembly was reluctant to take up such appointments due to lack of facilities. It was observed that the Assembly was lacking enough quality human capacity to manage both the

common fund and internally generated fund due to absence of capacity training workshops and low academic qualifications of some key staff. Table 4.3 shows the academic and professional qualifications of some key staff in the Assembly.

**Table 4.2 Key Staff and their Qualifications**

| Staff                           | Qualification | Duration at Post |
|---------------------------------|---------------|------------------|
| District Chief Executive        | GCE 'O' Level | 7 years          |
| District Co-ordinating Director | Diploma       | 2 years          |
| District Finance Officer        | RSA II        | 4 years          |
| District Planning Officer       | First Degree  | 2 years          |
| District Budget Officer         | HND           | 2 years          |
| District Revenue Officer        | GCE 'O' Level | 4 years          |
| District Engineer               | SSS/NVTI      | 7 years          |

*Source: Field Survey, August, 2007*

In spite of these qualifications the Assembly did not organise frequent capacity building or training workshops for the staff and members to sharpen their skills and update their knowledge. This affected their ability to manage the common fund and internally generated funds for poverty reduction in the rural areas with emphasis on women and other vulnerable groups. Apart from the staff and members of Assembly, the members and staff of Sub-district structures such as the Area Urban and Town Councils, Unit Committees did not have any capacity to ensure judicious use of the fund. Lack of training and capacity building programmes affected the responsiveness of the staff in developing problem solving, planning and facilitation skills and awareness of community programmes.

Though the staff of the Assembly did not receive regular training and capacity building workshops, some amounts were deducted at source from the district's share of the common fund by the central government each year for such purpose ( Table 4.4). The Assembly did

not only benefit from deductions but such had affected the financial position of the Assembly.

**Table 4.3; Deductions from the DACF for Capacity Building.**

| <b>Year</b>  | <b>DACF</b>           | <b>Deductions at Source</b> | <b>Deduction at local level</b> |
|--------------|-----------------------|-----------------------------|---------------------------------|
| 2001         | 2,12,600,000          | 42,520,000                  | 37,482,000                      |
| 2002         | 2,64,000,000          | 56,800,000                  | 39,115,000                      |
| 2003         | 3,800,298,889         | 74,005,000                  | 48,257,000                      |
| 2004         | 4,337,000,000         | 86,740,000                  | 51,120,000                      |
| 2005         | 4,969,000,000         | 99,388,000                  | 57,321,000                      |
| 2006         | 6,968,000,000         | 119,360,000                 | 63,232,000                      |
| 2007         | 7,474,000,000         | 149,480,000                 | 68,340,000                      |
| <b>Total</b> | <b>32,314,298,889</b> | <b>628,293,000</b>          | <b>368,867,000</b>              |

*Source: Asante Akim North District Assembly, 2007.*

Though between 2001 and 2007 over one billion old Ghana cedis have been deducted to support capacity building workshop for staff and members, the exercise has not been held on regular basis, the planning officer complained. While the key management personnel seldom receive such programmes those at the low level hardly receive any training and capacity building workshops to sharpen their skills and knowledge in order to deliver. He concluded.

#### **4.5 Over-reliance on the Common Fund**

It was observed that the Assembly collects less than half of the potential revenue. It therefore, heavily relied on the DACF for the provision of development projects and other responsibilities. According to the District Finance Officer the Assembly's revenue

performance was not encouraging as the annual locally generated revenue hardly meets the recurrent expenditure of the Assembly.

Table 4.4 Internally Generated Fund / Recurrent Expenditure

| Year | Revenue,   | Expenditure |
|------|------------|-------------|
|      | (GH¢)      | (GH¢)       |
| 2000 | 53,791.05  | 53,947.46   |
| 2001 | 88,936.68  | 83,399.45   |
| 2002 | 126,547.03 | 124,695.05  |
| 2003 | 145,393.29 | 145,298.99  |
| 2004 | 184,414.40 | 185,177.06  |
| 2005 | 238,028.09 | 243,102.18  |
| 2006 | 319,245.60 | 314,748.03  |
| 2007 | 446,410.39 | 437,055.79  |

*Source: Asante Akim North District Assembly, 2007.*

Development projects are therefore, largely funded from the District Assemblies Common Fund (DACF) and other interventions. This constitutes the major institutional challenge to the common fund allocations to the Assembly. The absence of reliable data on commercial and economic activities, obsolete valuation on immovable property, inadequate low level of public education on the Assembly's rate imposed and inadequate supervision and monitoring of collectors and other revenue staff were some of the problems identified as hindering its revenue mobilization efforts. This has put a lot of pressure on the common fund, which makes it difficult for the Assembly to undertake more projects to meet the needs of the rural people. Table 4.4 shows the revenue performance of the Assembly.

The locally generated revenue constituted 15 percent of total revenue between 1998 and 2003. Between 1998 and 2003 the Assembly did not record any significant growth in locally generated revenue. A negative growth was even recorded in year 2000 as actual collection of 228,198,711 fell short of the 1999 figure of 240,882,333. Revenue

performance in 2001 improved from 228,198,711 in 2000 to 410,874,525 in 2003 thus recording a growth of 80 per cent. According to the finance officer there were a lot of revenue potentials especially in the areas of property rate and business operation fees, which are yet to be exploited.

**Table 4.5; The Assembly's Major Revenue Sources (Ghana Cedis)**

| <b>Local Revenue</b> | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Rates                | 3504.16     | 5698.10     | 793.61      | 5133.25     | 10,657.00   | 13,445.10   | 13946.70    | 14637.70    |
| Lands                | 8597.83     | 1401 4.00   | 3932.00     | 5017.25     | 7300.00     | 12,121.30   | 13538.22    | 15428.81    |
| Fees                 | 4978.23     | 7065.44     | 7065.44     | 7187.67     | 12389.50    | 8,730.72.   | 10174.10    | 12272.40    |
| Licenses             | 2251.23     | 2870.86     | 2874.58     | 2874.58     | 4485.30     | 3,909.80    | 7212.40     | 9764.20     |
| Rent                 | 2906.57     | 1524.37     | 1524.37     | 1382.59     | 2000.00     | 1,795.83    | 2847.20     | 3740.12     |
| Investment           | 70.65       | 63.16       | 63.16       | 541.22      | 500.00      | 529.40      | 1119.70     | 1822.10     |
| Miscellaneous        | 56.40       | 692.23      | 692.23      | 683.30      | 920.00      | 555.21      | 819.20      | 1122.70     |

*Source: AANDA, 2006.*

The Assembly spends about 90 percent of its locally generated revenue on recurrent expenditure. The table 4.5 indicates expenditure from the locally generated revenue.

**Table 4.6 Expenditure trend of the IGF (Ghana Cedis)**

| <b>Items</b>            | <b>2000</b>      | <b>2001</b>      | <b>2002</b>      | <b>2003</b>      | <b>2004</b>      | <b>2005</b>      | <b>2006</b>     | <b>2007</b>     |
|-------------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|
| Personal emolument      | 3,335.46         | 5954.70          | 5857.20          | 5439.20          | 12246.72         | 16733.10         | 16822.11        | 17654.22        |
| Transport               | 4812.71          | 5360.26          | 5305.28          | 8124.42          | 143,50.40        | 17,003.12        | 17270.17        | 18330.13        |
| General Expenses        | 5534.17          | 6841.29          | 4706.68          | 8230.26          | 14052.58         | 15763.20         | 15888.52        | 17520.14        |
| Maintenance             | 1471.98          | 744.34           | 728.63           | 1599.69          | 1,877.52         | 2433.19          | 2546.77         | 2946.16         |
| Miscellaneous           | 5838.18          | 3778.29          | 51,93.15         | 8693.12          | 1,33.32          | 17,874.13        | 18680.15        | 19772.12        |
| <b>Sub Total</b>        | <b>20,984.16</b> | <b>22,678.89</b> | <b>22,316.84</b> | <b>32,086.69</b> | <b>55,859.35</b> | <b>69,806.75</b> | <b>71207.72</b> | <b>76222.77</b> |
| Development Expenditure | 4284.16          | 5490.00          | 708.73           | 3463.52          | 2,666.52         | 2,866.14         | 2988.83         | 124.67          |

*Source: AANDA, 2006*

The expenditure trend of the Assembly therefore, indicates that the capacity of the Assembly to commit LGR to development expenditure is thus limited. According to the finance officer the assembly has taken steps to ensure that at least 12 percent of its LGR is committed to development expenditure to complement the common fund, social investment fund, among others. What it means is that between 2000 and 2005, the Assembly had spent almost 90 per cent on its recurrent expenditure leaving some 10 per cent for development project. This problem has made the Assembly to depend largely on the common fund for development.

#### **4.6 Central Government Interference**

Key implementation difficulties have emerged since the introduction of the District Assembly concept as the core of the decentralisation programme in 1998 (NDPC, 61). Fiscal decentralisation remains slow as MDAs still retain large fiscal decision making powers at the expense of the MMDAs. This is due to absence of the appropriate legal framework to support fiscal decentralisation. Equally worrying is the issue of the low revenue generating capacity of most District Assemblies. The central government therefore tends to interfere with the District Assemblies' fiscal functions with deductions at source and this undermines the ability of the Assemblies to meet the needs and aspirations of the local people.

According to the district planning officer, central government directives regarding the use of the common fund poses difficulties to the Assembly's poverty reduction efforts. Every year the Assembly prepares its budget based on the information received from the common fund secretariat regarding the district's share of the fund. Apart from the untimely release of the fund government directives as regards the utilization of the fund and deduction at source tend to throw the budget out of gear. This means most of the projects and programmes earmarked by the Assembly hardly see their implementation. According to

the planning officer the DACF is meant solely for development projects and programmes in the district but at times some government directives for deductions from the DACF for certain programmes are inappropriate. The officer disclosed that ₵99,256 million out of 977,588 million allocated to the district for the first quarter of 2007 was deducted for the provision of souvenirs to pupils as part of Ghana at 50 celebrations. Another concern raised by the Planning Officer was the DCE's Four – Wheel Cross Country vehicle that was purchased from the Assembly's share of the common fund in 2007. "Since the Assembly finds it difficult to raise substantial funds from its internal sources due to the high poverty levels of the people such deductions should be made with great circumspection". The practice has deprived the district of a lot of money to undertake more development projects to reduce poverty. Table 4.6 shows the proposals for utilization of the Assembly's DACF in 2007. This proposal was a central government directive.





**Table 4.7 Central Governments' Directives for Deductions in 2007**

| Statutory Requirement               | Percentage (%) | Amount (GH C)       | Mode of deduction |
|-------------------------------------|----------------|---------------------|-------------------|
|                                     | Deduction      |                     |                   |
| Human capacity building             | 2%             | 1,4 94.80           | At source         |
| National Youth Employment Programme | 20%            | 1,494.80            | At source         |
| Self help Projects                  | 5%             | 3,7 37.0            | Local             |
| District Education Fund             | 1.7%           | 1,247.40            | Local             |
| Strengthening of sub-structures     | 5%             | 3,7 34.0            | Local             |
| District Response to HIV/ Aids      | 1%             | 747.40              | Local             |
| Malaria Prevention                  | 1%             | 7 47.40             | Local             |
| Support to people with Disabilities | 2%             | 1,4 94.80           | Local             |
| Sports and Culture                  | 1%             | 747.40              | Local             |
| Contingency                         | 17%            | 12, 474. 7058       | Local             |
| <b>TOTAL</b>                        | <b>55.7%</b>   | <b>52, 830, 600</b> |                   |

*Source: Asante Akim North District Assembly, 2007.*

The table 4.7 indicates that the Assembly does not have free hand regarding the utilization of the common fund allocations. Accordingly, the Assembly did not have control and influence over the use of an amount of 528, 306 Ghana cedis. This means the Assembly does not have control over 55.7 per cent of funds that came to it. These directives and deductions by the central government therefore, kill the initiative of the Assembly to perform its functions efficiently in order to reduce poverty.

#### **4.7 Project Monitoring and Evaluation**

In order to ensure that common fund projects and programmes are completed at the right time and of right quality there is the need for project monitoring and evaluation to ensure their intended purposes. In view of this the Assembly has set up an internal project

monitoring and evaluation team whose mandate is to visit project sites regularly or at least monthly to ascertain how the implementation of the projects is progressing. The team consists of the district planning officer, district budget officer, the presiding member and the district engineer of the public works department.

It was however, observed from the field that the team did not make follow ups in most of the projects executed in the rural areas to assess whether the objectives of the projects were attained and whether benefits were sustainable. An officer at the Assembly therefore retorted;

*“this is what normally happens which has resulted in most projects not being ever monitored during their implementation stages. The result is shoddy works undertaken by the contractors”.*

The study learnt that it was due to lack of means of transport, which prevented them from visiting project sites regularly to appraise the projects. The planning officer, however, maintained that they mostly relied on the Assembly members and artisans in the rural areas to monitor the projects and report their findings to the Assembly. But it was observed that most of these assembly members and the artisans in the rural communities did not have the capacity to monitor development projects to ensure quality work. For this reason most common fund projects fast deteriorate after their hand over to the communities. A case in point was an uncompleted library at Patriensa, which has had most electrical appliances such as ceiling fans, fluorescent bulbs and others removed by thieves in the area. A middle aged man from Patriensa during the focus group discussion remarked;

*“since the Assembly started this project to its completion stage nobody cared to visit the project to find out what was being done. The contractors did not use good materials for the doors and this made thieves easily break into the rooms and took away almost everything. It has left with the structure standing, everything is gone.*

*Now the Assembly has to spend money to restore those things again. We are not serious as a people”.*

This supports the view that most of these common fund projects in the district have been poorly executed thereby rendering their intended objectives and sustainability very doubtful.

#### **4.8 Project Management**

In the case of project management, completed projects were normally handed over to the beneficiary communities to manage. Depending on the type of the project they were either handed over to the communities in which the projects were found or according to the Planning Officer projects that required the payment of user fees like KVIP and water were being managed by the communities themselves. However, it was observed that people in the communities were not paying the user fees charged on some of the facilities. At Nyaboo the Assembly man intimated that each house was supposed to pay 60 pesewas but they had refused to pay. Sometime the borehole needed repairs but they found it very difficult to get money to carry out the repairs. At Akutuase the people were reluctant to pay for the public toilet user fee.

The respondents in Nyaboo and Akutuase however said that those projects were provided by the government and there was no need for them to pay for the use of the facility. It was observed that the refusal of the people to pay for the user fee was as result of the inability of the Assembly to involve the people in the selection and implementation stages of the facility as well as the poverty situation in the communities.

In conclusion, it may be observed that the institutional inefficiencies had resulted in the inability of the Assembly to alleviate poverty levels in the rural communities. It had undermined the efforts of the Assembly to provide more projects because the problems had deprived her of significant revenue. The effects will be examined in the next chapter.

#### **4.9 Community Participation**

The District Assemblies need to involve communities in the participation of project selection, design and implementation. Development participation has shown to make projects work better and therefore, plays a central role in the most successful development strategies. Participation connotes involvement in some activities be it the contribution of material or financial resources. Many government bureaucrats often perceive participation as contribution of free labour and money by the people for the implementation of imposed government projects. This serves as a means of supplementing scarce government resources is a process through which stakeholders' influence and share control over development initiatives and decisions and resources which affect them.

According to the planning officer, because there was restriction on government funding for the provision of infrastructure and social services, the Assembly encourages the people to provide labour as local counterpart funds for certain projects. This ensures that people commit themselves to the project for cost-effectiveness. In other projects the people are made to pay some amounts towards the cost of the projects as a means of ensuring their commitment and sharing of the cost of the projects.

This strategy is not without problems. Communities like Nyaboo, Patriensa, Akutuase, Ananekrom found it difficult to pay the counterpart funds due to poverty. Several rural areas lack one form of social amenities or the other because the Assembly is demanding their counterpart funds as a condition to benefit from certain development projects. At Ananekrom, the Assemblyman intimated that the people had been asked to pay sixty Ghana Pesewas (60 GP) per house monthly to maintain the nine boreholes in the community. But most of the people have refused to pay while a lot of the households are in several months' arrears. The study however, learnt that decision was not communicated to the people at the initial stage of the implementation of the project. Some of the people

believed that the amount that they were being asked to pay was designed by some officials of the Assembly to suit their personal interest.

The planning officer claimed that the Assembly involved the people in the selection and implementation of development projects through their Assembly members. However, it was observed that the people were demanding genuine participation in which they want to take part in the sharing of power and scarce resources, control their own destinies and living conditions.

At Nyaboo the respondents in a focus group discussion were very much worried about inability of the Assembly to inform them before constructing an incinerator which according to them was not their priority. An opinion leader in the community even described the incinerator as “useless” because the people were not using it.

In a focus group discussion at Ananekrom, a youngman shouted;

*“we don’t hear anything. All that we normally see is when the project is being constructed. At times they bring their own workforce and this practice deprives some of us of jobs to earn income. All that we want from the Assembly is that it should discuss with us any project or programme it wants to undertake in our communities so that we can share ideas together. We are not satisfied with projects the Assembly has so far undertaken. We need good drinking water, place of convenience and access to credit to undertake income generating activities and sanitation facilities.”*

At Patriensa the Assembly has managed to put up a library, which was funded from the common fund. The project was completed in 2007, but it was not being used by the people at the time of the research. It was learnt that the people had been asked to provide furniture and books as their counterpart fund to the project. In a focus group discussion the groups, men, women, chiefs and elders, they complained the participants were not informed about this arrangement and that they were not ready to contribute to the project. This invalidates the proposition that the people are consulted or involved in the selection and

implementation of projects. The participants in the five communities such as the men, youth and women group said they were not aware or informed before certain projects were undertaken. However, unit committees and assembly members in the communities said the Assembly informed them of proposed projects before they were undertaken (Table 4.8).

**Table 4.8; The level of awareness of proposed development projects.**

| Communities | Participants | Aware | Not aware | Total |
|-------------|--------------|-------|-----------|-------|
| Nyaboo      | 27           | 6     | 21        | 27    |
| Dwease      | 29           | 7     | 22        | 29    |
| Ananekrom   | 28           | 6     | 21        | 28    |
| Akutuase    | 26           | 6     | 20        | 26    |
| Patriensa   | 27           | 7     | 21        | 27    |

*Source:* Indepth interview/ focus group discussion with the chiefs and opinion leaders, women, men youth and assembly and unit committee members in 5 communities.

This supports the reason why the people in the communities have rejected certain projects funded by the common fund. This also invalidates the proposition that was made earlier on that there is consultation between the Assembly and the beneficiaries of proposed development projects (Table 4.8). It meant the Assembly informed only the chiefs and some opinion leaders and assembly and unit in the communities on proposed development projects and not the people.

## CHAPTER FIVE

### INSTITUTIONAL CHALLENGES AND POVERTY REDUCTION

#### 5.1 Introduction

This chapter examines the effects of the institutional problems on the utilization of the common fund. This is because poverty reduction refers to the designing, implementing and targeting appropriate methods to ensure that scarce resources are allocated to activities that are likely to yield the greatest impact on the poor and to decrease their levels of deprivation and vulnerability (World Bank, 2001; Sen, 1999). The study examined the effects of institutional problems on access to social and economic services such as education, health care, sanitation, water, poverty alleviation fund, which were very critical to the Assembly's poverty reduction agenda. Access to these social and economic services by the people was being hampered by the institutional problems as discussed in previous chapter. This chapter, therefore, examines, the perception of poverty, the provision and access to socio- economic services by the Assembly and the people respectively, as a means of reducing poverty in the rural communities.

#### 5.2 Education

The objective of the United Nations' Millennium Development Goal, which is reflected in the Ghana's poverty reduction strategies of GPRS I and GPRS II guarantees the access of all the nations children and youth to a defined minimum of basic education, unhampered by the particular economic circumstances of their parents or guardians. Education plays a central role in a well articulated poverty reduction and population programmes. Better and quality education, therefore, have greater impact on lives of individuals, particularly in terms of imparting the knowledge and skills that help to lift people out of poverty and deprivation. In view of this the Assembly's top priority in its

poverty reduction agenda is to ensure access to quality education as a strategy to reduce poverty in the rural areas.

According to the District Budget Officer,

*“every year the Assembly spends over 60 per cent of its share of the common fund for the provision of educational facilities and other logistics. This is seen in areas like the provision of classroom blocks, dual desks, teaching and learning aids, scholarships for teacher trainees, students and pupils, and provision of living quarters, among others. But despite these investments the performance of the pupils in the BECE in the District is not encouraging at all”*

However, a number of factors were also identified during the field survey, which account for the poor performance of candidates in schools, especially in the rural areas. The performance of candidates at the BECE level from 2002 – 2006 is not satisfactory as on the average 32 per cent of candidates scored between aggregates 6 and 24 (table 5.3)

**Table 5.3 Performance of BECE candidates between 2002-2006**

| Year  | Total No. of Candidates | No. Qualified | No. of Candidates with 06 – 24 | Percentage Qualified |
|-------|-------------------------|---------------|--------------------------------|----------------------|
| 2002  | 1519                    | 856           | 425                            |                      |
| 2003  | 1493                    | 1033          | 561                            | 69.2%                |
| 2004  | 1600                    | 981           | 591                            | 61.3%                |
| 2005  | 1731                    | 897           | 555                            | 51.8%                |
| 2006  | 1856                    | 686           | 448                            | 48.6%                |
| Total | 8199                    | 4453          | 2580                           |                      |

Source: District Office, GES Annual Report, 2007.

According to the District Director of Education the factors which accounted for the poor performance of the candidates at the BECE include inadequate logistics such as vehicles and fuel for inspecting officers resulting in weak supervision, inadequate



classrooms in the rural areas, lack of accommodation for teachers. There was lack of social amenities such as hospitals, electricity, markets, accommodation in rural areas. The study learnt that lack of social amenities and accommodation caused the teachers to refuse posting to the communities.

The respondents in the five communities observed that the poor performance of the pupils in the BECE was as result of poverty, the problem of single parent, absence of role model and irresponsible parents. It was revealed that some of children were not provided food or money for food, school uniforms, books etc.

It was also observed that the communities faced serious educational infrastructure. Although the Assembly was making some efforts to increase access to quality education in the district, much remains to be done. This view was supported by a unit committee member at Ananekrom in an interview with them;

*“ the level of education in our village has gone down. The school does not have proper classrooms to learn. Look, they attend classes in this bad classrooms. How can they learn under this poor condition and write the same examination with their counterparts at Agogo or Konongo? Their parents too are not serious with their children’s education. Most parents failed to provide the educational needs of their children due to poverty. This has contributed to their poor performance in the B.E.C.E results every year.”*

It could mean that the bulk of common fund the Assembly claimed to spend on education, especially in the rural areas was not yielding any better results. The Assembly needs to take a second look at this area as strategy to reduce poverty by increasing its budget for education.

### **5.1.2 Access to Water**

The strategy of the Assembly is to increase access to clean water in the district, particularly in the rural communities. It was, however, observed that sources of water for most rural communities were from surface and underground – untreated sources.

Although, the Assembly, through the common fund was to provide some boreholes for the communities, the study learnt that the communities most often depend on streams for their water supply due to frequent breakdown of the these facilities. The communities face serious water problems when the rivers and streams dry up. The situation forces households to depend on sources, which are contaminated and are susceptible to water borne diseases.

It was learnt that water supply was generally inadequate, considering the difficulty women and children have to go through to meet their water requirements. An Assemblyman from Ananekrom confirmed this “ *when the borehole breaks down we don’t have any water to drink except the stream down there, which is not good these days*”.

It was learnt that the each household had been asked to contribute sixty Ghana pesewas per month for the maintenance of the borehole but they refused to pay. That was reason why the community found it difficult to repair the borehole whenever it broke down.

It was observed that Nyaboo and Akutuase also faced similar problem.

However, it was learnt that the people at Patriensa and Dwease did not experience such serious water problem because each household paid 60 pesewas per month towards the repairs of the boreholes.

### **5.1.3 Access to Sanitation**

The high incidence of diseases in the district namely malaria, typhoid, schistosomiasis and diarrhoea are largely attributed to poor sanitation in the district. It was observed that the sanitation problem in the rural areas was more pronounced. In all the five communities that the research was carried out the people expressed worry about the sanitation and felt neglected in that area. For instance, Patriensa, which has a population of about 5000 has

only 2 public toilets, which are dilapidated. The table 5.4 amply corresponds to the views expressed by the respondents during focused group discussion in those communities.

**Table 5.4 Household/ Public Toilet**

| COMMUNITIES | POPULATION | PUBLIC TOILET | HOUSE HOLD TOILET |
|-------------|------------|---------------|-------------------|
| NYABOO      | 2,730      | 1             | 5                 |
| PATRIENSA   | 5,000      | 2             | 7                 |
| AKUTUASE    | 1,630      | 1             | 4                 |
| ANANEKROM   | 1,242      | 1             | 2                 |
| DWEASE      | 2,324      | 1             | 4                 |

Source: District Environmental Office, 2007

#### 5.1.4 Access to Health Care

Article 34 and 36 of the 1992 constitution obligate the government to ensure a sustained socio-economic development of the people of Ghana. Maintenance of good health is therefore an integral part of the government's responsibility. Ill- health is both a cause and consequence of poverty. If a person is healthy he can work to cater for his basic needs such as food, housing, health care and education.

In this view the Asante Akim District Assembly is making an effort to partner Ghana Health Service to increase access to health care in the district. According to the planning officer the Assembly spends about 20 per cent of its common fund on health. The Assembly has put up few living quarters for the nurses (Staff) in some rural areas to ensure quality health delivery.

In order to ensure equality and efficient health care system, especially, in the rural communities, the district has been sub-divided into 5 sub-districts. Dwease-Praso, Amantenaman, Nyanpenase and Konongo. According to the District's Health Director the DACF has not really increased the number of health facilities since its inception. Some rural areas did not have health centres or were very far away from these health facilities.

There is serious shortage of health personnel, especially doctors and nurses in the district. The district has a doctor patient ratio of 1:19,078 while a nurse has 1:1,016 people to attend to. It was observed that this was more serious in the rural areas.

At Dwease, an opinion leader suggested that the Assembly should use part of the common fund to sponsor nurses and doctors to serve in the rural communities. Table 5.5 indicates the inadequate health workers in the district. The whole district, according to this table has only seven doctors to attend to over 126,000 people in the district

It was learnt that the sick persons from the communities travelled to Agogo and Konongo hospitals to seek health care. This is because quality health care is not easily accessible in these rural communities. Apart from Dwease, which has a clinic, the other four communities did not have any health facility. A woman remarked from Ananekrom said;

*“Over here we don’t have a clinic, therefore, when someone falls sick we either send the person to a herbalist in the village or to Agogo Hospital, which is about 20 kilometres from the village. At times some of the sick persons whose conditions are very serious die on their way to Agogo Hospital.”*

The above exposition, therefore, invalidate the proposition that the common fund has increased access to basic social services to reduce poverty levels in the rural areas. This is because access to health care, safe drinking water and sanitation, quality education is still inadequate in the rural areas. It was, therefore, learnt that there had not been appreciable increase in development projects in the rural areas, since the inception of the common fund in 1994.

**Table 5.5 Doctor and Nurse/ Patient ratio**

| <b>CATEGORY</b>    | <b>NO</b> | <b>STAFF/POP RATIO</b> |
|--------------------|-----------|------------------------|
| Doctors            | 7         | 1:19,018               |
| Nurses             | 131       | 1:1,016                |
| Medical Assistants | 7         | 1:19,018               |
| Pharmacists        | 2         | 1:66,564               |
| Technical Officer  | 3         | 1:44,376               |
| Lab. Technicians   | 3         | 1:44,376               |

*Source: Office of District Director of Health Services, 2007*

## **5.7 Poverty Alleviation Fund (PAF)**

### **Introduction**

In 1996, the government established the Productivity Increase and Income Generation Fund popularly called and “District Assembly Poverty Alleviation Fund”. The District Assemblies were directed to use 20 percent of their share of the Common Fund to give the poor access to credit facilities to use in investment in job creation. The main objective of the fund was to provide credit support to the productive poor, such as women in the informal sector, unemployed youth, and subsistence and small-holder producers in agriculture. Upon this directive District Assemblies in Ghana disbursed the fund to beneficiaries to undertake income generating activities.

According to the DCE the Assembly has between 1996 and 2006 disbursed over GH¢90,000 to beneficiaries such as women unemployed youth, subsistence and smallholder farmers, artisans and others. The beneficiaries have unreasonably refused to pay back the loans. The DCE disclosed that the Assembly had recovered only 30 per cent of the amount. He revealed that last year the Assembly decided to take legal action against the defaulters but this decision could not be implemented.

*“this is a difficult decision indeed, especially in an election year. You should not expect me to go and chase the defaulters to retrieve the loans in an election year.*

*“Do you want me to lose my position and elections?”*

This confirms the extent to which the disbursement of the loan has been politicized.

Generally, the people in the five communities observed that though the poverty alleviation had assisted hitherto some vulnerable groups like women in small-scale industries, it had not been well implemented. In a focus group discussion at Nyaboo, the discussants stressed that the modalities for the selection of beneficiaries were not too clear. The loans were normally given to women, urban dwellers and those who are active in the ruling party. Another concern raised by the participants was the time the loans were disbursed. In a focus group discussion at Akutuase, an opinion leader noted with anger:

*“they are claiming that they want us to come out of our poverty situation but the loans do not come at the right time. We are mostly farmers and expect the loans to come around January to be used for the preparation of the land for farming. Over here the loans come after the farming season and how do you expect us to invest it properly and pay back the loan”.*

At Dwease, an opinion leader lamented;

*“the loan amount was too small. The loan that they gave to us ranges between GH¢20.00 and GH¢50.00 and this is too small to invest in either farming or other business to generate reasonable income to enable us pay back the loan. The Assembly should be really serious if it wants to reduce poverty among the people in our area”.*

It was observed that the high default rate in the payment of the loans given out by the Assembly was partly due to the smallness of the credit facility as echoed by an opinion

leader in Dwease. With this the beneficiaries regarded loan as a gift to meet personal commitments such as paying fees, buying clothes, food, among others.

At Akutuase, most of the people complained that they were not aware of the poverty alleviation fund. In fact they blamed the Assemblyman for this. An opinion leader in the community observed that not enough information on the activities of the Assembly, especially regarding poverty alleviation programmes was provided. *“How can you say that you are reducing poverty without the knowledge or involvement of the poor people?”* He queried.

It was observed that apart from some unit committee members who benefited from the fund significantly, very few respondents such as women, men, youth and chiefs and elders from the five communities obtained the loan. A woman from Ananekrom lamented

*“we were asked to bring 4 passport- size photographs and also open accounts at the bank. We did all these but the money did not come. Some of us even borrowed the money from somewhere to open the accounts. If you don't want to give the loan to us why do you ask us to waste our time and money on this. We are not happy with the way they are treating us. I think those of us in the rural areas will never get any better thing from the government. They have cheated us for a very long time.”*

This, therefore, invalidates the proposition made earlier in this text that the poverty alleviation fund has benefited the rural people. This provides credence to the views expressed by the respondents that the poverty alleviation fund was given to the urban elite as well as supporters of ruling political party.

## CHAPTER SIX

### SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 6.1 Introduction

This chapter presents the major findings and observations that were identified as inhibiting the efficient utilization of the district assemblies' common fund to reduce poverty levels in the rural areas. Implications and conclusions are deduced from the findings and appropriate recommendations made to appropriate agencies and stakeholders to ensure proper utilization of the fund to ensure efficient service delivery to the rural poor.

All that the study was about was to find out how District Assemblies in Ghana utilize their common fund allocations to reduce poverty levels in their areas of jurisdiction. The study mainly adopted qualitative methods of research to obtain information on the experiences of the poor people in the five communities selected as study areas. Focused group discussion and questionnaire were used to obtain information from the people in the communities, staff of the Assembly and some heads of the decentralized departments. The study, to a large extent met the objectives that it set out to do, that is to say they were validated. However, in the case of the three propositions made, two of them were validated while the other one was negated, that is to say it did not follow the earlier assumption made. The following are the major findings of research;

#### 6.2 Summary of Major Findings

##### 6.2.1 Community Participation

The Assembly did not involve the people in the rural areas in several poverty reduction projects and programmes. The discussants did not have prior knowledge about most of the projects before they were provided. Communities are best placed to determine their own priorities and implement programmes seeking to improve their well-being and



security in a sustainable way as Korboe (1998) has made us understand in the literature review section of this work.

### **6.2.2 Project Selection and Approval**

Invariably, the rural communities were not involved in the selection and approval of most projects undertaken by the Assembly. Interestingly most of such projects were not being patronized by the people. Thus among other things the communities were not consulted before such projects were provided. This phenomenon was a common practice in the rural communities as pointed out already in this work.

### **6.2.3 Contract Awarding System**

The study has shown that the contract award process for common fund projects was not transparent. Besides the contract sums or cost of projects were identified as prohibitively high, which the planning officer confirmed. Finally the delay by the central government in the release of the fund has affected the assembly's poverty reduction efforts since projects were not completed on schedule. This has again been explained in the data analysis section.

### **6.2.4 Inadequate Capacity**

The capacity of both the staff and members of the Assembly is low and this affects the responsiveness to deliver quality services to the people. The assembly had not been able to organize regular training and capacity building workshops to sharpen their skills and also update their knowledge in the performance of their functions. Even though every year the government and the Assembly deduct monies from the common fund allocations for training and capacity building workshops for staff and members of the Assembly, they hardly receive such refresher courses on a regular basis. Poor remuneration system for both staff and members of the Assembly was identified as the major setback to effective functioning of the Assembly system in the preceding chapter it must be recalled.

### **6.2.5 Over-reliance on the Common Fund**

It was observed from the study that development projects were largely funded from the common fund. In this view the Assembly faces financial problems as it finds it difficult to raise substantial funds from its internal sources due to the poverty levels of the people. Besides absence of reliable data, obsolete method of valuation of immovable property and inadequate supervision and monitoring of revenue collectors have been identified as factors hindering its revenue mobilization performance.

The position of the common fund law, which does not allow money from the district assemblies common fund to be applied to pay allowances of the assembly members has resulted in the inability of the Assembly to organize regular meetings as the assembly does not know where to look for money to pay for these allowances. This leaves the bulk of the work and major decisions to be taken by the Executive Committee or the District Chief Executive. Finally, the Assembly spends over 90 percent of its internally generated revenue on recurrent expenditure leaving less than 10 percent for development projects. This has been demonstrated also in the previous analysis.

### **6.2.6 Central Government Interference**

The study observed that the central government retains major fiscal decisions of the Assembly. The deductions and influences regarding the utilization of the Assembly's share of the common fund always affect its development agenda. Such deductions have deprived the district of a lot of development projects.

### **6.2.7 Project Monitoring, Evaluation and Management**

Most projects provided in the district under the common fund were not monitored as it should in order to appraise them. The study has revealed that the Assembly relied on the

assembly members and artisans of project areas to monitor projects and sent reports to the Assembly. It was however, observed that the assembly members and the local artisans did not have the capacity to monitor and evaluate development projects. The result is that common fund projects have fast deteriorated forcing the Assembly to use its meager resources to maintain them after one to two years of their commissioning.

### **6.2.8 Access to Social and Economic Services**

Although the provision of basic social services remains a valid priority area of the Assembly, several rural communities still lack such facilities as potable water and sanitation, classrooms, health facilities and credit to go into income generating ventures. There is no doubt that the provision of these basic social services is a major indicator of poverty reduction. The Assembly has not done much as demonstrated in the preceding chapter. Several rural communities still lack a lot of these social services. Moreover, these development facilities are skewly provided in favour of the urban centres perhaps because of the urban population and their possible votes.

### **6.3 Conclusion**

The Asante Akim North District Assembly's share of the common fund allocations from 1994 to 2007 stood at over ₵320 000 Ghana cedis. This was utilized to provide a number of socio-economic facilities in the district. But considering the amount so far received by the Assembly, not much has been done to provide programmes and projects to accelerate poverty reduction in the district. Concerns have been raised about the utilization of the Assembly's share of the fund over the years. The people are demanding accountability and transparency in the use of the fund. The rural areas especially, still lack social services and infrastructure which have affected their living conditions. The projects have been skewly provided in favour of the urban centres. Yet the problem of non-involvement of the communities in decisions, which affect their lives, has led to several

common fund projects not being patronized by some communities in the district. The non-transparency in the contract award system and lack of monitoring by the assembly present serious challenges to the fund and poverty alleviation. The effect of this has been high contract sum as well as shoddy works of common fund projects. The deductions from the Assembly's share of the fund over the years have significantly reduced the quantum of fund, which was expected to reach the Assembly. This means that the Assembly did not have control over a significant proportion of its common fund allocations. This practice always affected the effort of the Assembly to provide more development projects and programmes to reduce poverty in the rural areas.

#### **6.4 Recommendations**

There is no doubt that the introduction of the District Assemblies Common Fund has brought improvements in the provision of social services and infrastructural development. However, its utilization by the assemblies faces challenges, which include proper management of resources as well as lack of enhanced capacity for delivery. With the upward adjustment of the fund from 5 percent to 7.5 per cent by the government in 2007 more funds may be available to the district assemblies to undertake projects and programmes for development of the rural areas. Based on the major findings of this study the following recommendations may help the assemblies to manage and utilize the common fund to benefit the rural poor.

- (i) First, in order to make the common fund reliable and sufficient, there is the need for the central government to avoid deductions of the fund at the headquarters so that the Assembly can have more funds to undertake infrastructural development and other programmes needed to reduce poverty levels among the rural folk.
- (ii) Although the provision of basic infrastructure stands out as a valid priority area and

significant indicator of poverty reduction in most districts, the incidence of poverty resulting from lack of significant expansion of productivity and employment opportunities remain a problem. Therefore, the Assembly should focus on programmes that will create jobs and enhance income generation in the rural areas. This will speed up the poverty reduction process.

- (iii) Again in order to ensure revenue collection performance and reduce their dependence on the common fund, the assemblies should involve the grassroots in revenue generation. The sub-structures of the assemblies such as town and area councils and unit committees should be made to work effectively.
- (iv) To ensure efficient management and utilization of common funds, the Ministry of Local Government should strengthen its oversight responsibility by ensuring effective monitoring and evaluation of funds through the transfer of requisite personnel to ensure proper accounting of the district assemblies' common fund.
- (v) It is unfortunate that close to two decades of the District Assembly concept, most of the Assemblies have not been able to attract qualified personnel at both levels of the assembly system. The poor remuneration system is one major setback to effective operation of the assembly system. The study recommends the funding of allowances and other costs relating to the work of assembly members and their welfare, including that of sub-structures down to the unit committee levels be paid out of the Consolidated Fund. That would make the assembly system attractive to entice high caliber and professionally competent persons to the District Assembly.
- (vi) Civil society organisations and the communities should be exposed to the workings of the assembly system by facilitating interaction between the assemblies and communities and how to monitor and evaluate common fund projects. The capacity

of the assemblies should be strengthened to ensure interaction between them and communities in the assembly decision making process.

- (vii) The poverty alleviation policy should be reintroduced and reformed to provide credit support to the rural people. The assemblies can set up an independent body to manage and provide credit support to the people who need it. The fund should come at the right time and the amount of the facility should increase to enable the people to derive maximum benefits to enable them pay back the loan.
- (viii) The District Assemblies should as much as possible involve the beneficiary communities in the selection, design and implementation of development projects to ensure commitment and patronage of the projects.



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## APPENDIX I

### INTERVIEW GUIDE FOR THE FINANCE OFFICER

1. How long have you worked in the district?
2. What were the sources of financing development before the introduction of the D.A.C.F.?
  - (i) .....
  - (ii) .....
  - (iii) .....
  - (iv) .....
  - (v) .....
  - (vi) .....
3. What was the contribution of these sources to the development of the district?
4. What was the expenditure distribution into education, health, sanitation, poverty alleviation fund over the years?
5. Does the Assembly still rely on these sources?
6. What problem is associated with these sources?
7. Did the central government control the utilization of the assembly's revenue during this period?
8. What has been the District's share of the fund from 1994 to 2006?
9. What is your view on the District share over the years?
10. What has been the financial position of the assembly with the introduction of the DACF?
11. What percentage of DACF does the Assembly receive?
12. Does the Assembly receive the full Common Fund allocations for the District?
13. What percentage is deducted at source?
14. What percentage did the assembly receive for 2006?
15. What is your view on the District's share over the years?
16. What do you think should be done about the amount?



17. How has the pattern of release of the fund affected the Assembly's programmes?
18. What is the pattern of expenditure since the introduction of the D.A.C.F.?
19. How do you perceive poverty?
20. What are the priority areas of the Assembly's poverty reduction programmes?
21. Do you prepare composite budget?
22. Do you have a mechanism whereby funds are disbursed to the various Departments in the district?
23. Is the assembly able to meet the budget of each department?
24. Is there any central government control regarding the use of the DACF?



## APPENDIX II

### INTERVIEW GUIDE FOR THE DISTRICT CHIEF EXECUTIVE

1. When were you appointed as the DCE of Asante Akim North District?
2. How do you perceive poverty?
3. How was the level of poverty in the district when you assumed office?
4. How do you assess the living conditions of the people with the introduction of the DACF?
5. How does the Assembly select development projects funded under DACF?
6. Do you involve the local communities in the selection and implementation of projects funded under DACF?
7. What are the Assembly's priority areas as regards poverty reduction?
8. How do you select projects to ensure equitable development of the rural communities?
9. Which areas in the district are development projects found?
10. In your estimation, how many poverty related projects have the Assembly undertaken since the introduction of the DACF?
11. How many of these projects are found in the urban centres?
12. How many are located in the rural areas?
13. Were the local people involved in the formulation and implementation of these projects?
14. How does the Assembly collaborate with other decentralised departments in its poverty reduction efforts?
15. Do you provide alleviation fund to the people in the rural areas?

16. If yes, what criteria does the Assembly use to disburse poverty alleviation fund?
17. What percentage of DACF goes into poverty alleviation fund?
18. When is poverty alleviation loans disbursed?
19. Who is in charge of the disbursement of the fund?
20. Does the assembly encounter problems in the repayment of the loans?
21. Has the poverty alleviation fund impacted on the living conditions of the people in the rural areas?
22. What are the other challenges facing the poverty alleviation fund?
23. How does the Assembly award contract funded under DACF?
24. How do you cost these projects to ensure value for money?
25. Does the Assembly have qualified staff to ensure efficient utilization of the fund?
26. Does the Assembly often organize in service training for the staff to build their capacity?
27. How do you select development projects funded by the DACF in the rural areas?
28. Do you involve the beneficiaries in the selection and implementation of these projects?
29. Do you take into accounts the perspective of the poor and the vulnerable in the selection of projects?
30. How do you cost projects?
31. How do the central government directives affect the utilization of the DACF?

## APPENDIX III

### INTERVIEW GUIDE FOR THE DISTRICT PLANNING OFFICER

1. How do you perceive poverty?
2. How were the poverty related projects selected before the introduction of the DACF?
3. What types of project were implemented in the district?
4. What was the nature of distribution of these projects?
5. How does the Assembly select projects funded under the common fund?
6. What is the nature of projects being undertaken by the DACF?
7. How are these projects distributed in the district?
8. Is the nature of distribution in favour of the urban or rural areas?
9. In planning poverty alleviation projects for the district, do you consider perspective of the poor and the vulnerable? (a) Yes (b) No
10. If yes, how is it done?
11. What is the nature of projects sited in the rural areas?
12. What types of projects are sited in the urban areas?
13. What percentage of the DACF goes to rural areas by way of development projects? .
14. What percentage of the DACF goes into urban areas in terms of development projects?
15. What factors determine the allocation of development projects in the District?
16. Does your outfit consult the departments to factor the needs of the people in your planning?

17. What are the criteria for selecting people who benefit from poverty alleviation programme in the rural areas?
18. In your estimation, do you think the Assembly is doing better in planning to alleviate poverty?
19. To what extent is poverty alleviation programmes sustainable?
20. What impacts has the DACF got on the internally generated revenue of the Assembly?
21. How does the central government directive affect planning activities of the Assembly?
22. What challenges do you face in planning of poverty alleviation programmes for rural areas?

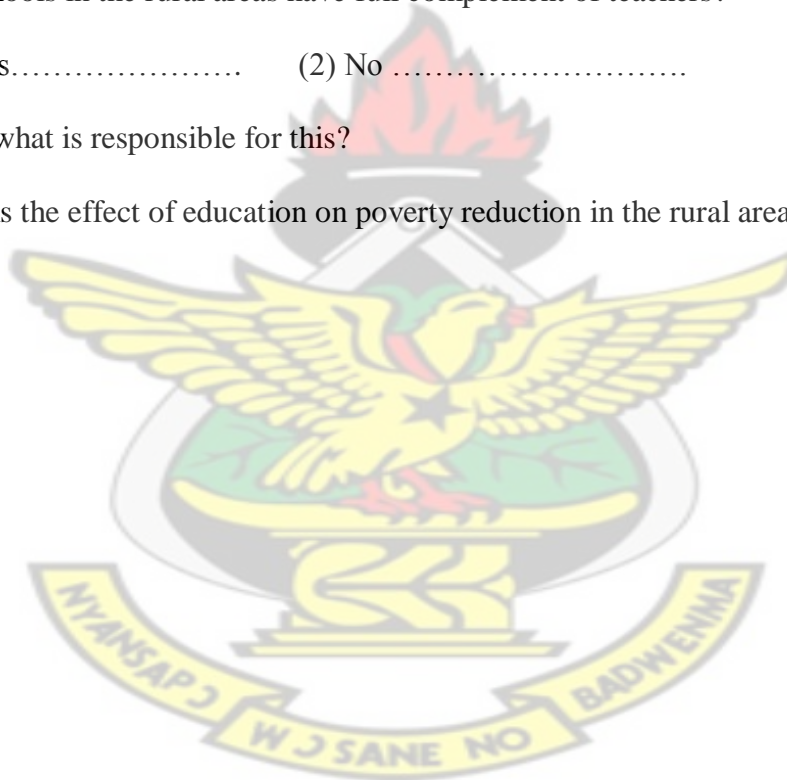


## APPENDIX IV

### INTERVIEW GUIDE FOR THE DISTRICT DIRECTOR OF EDUCATION

1. How do you perceive poverty?
2. Is there any relationship between improved education and poverty reduction?
3. What is the school enrolment situation in the rural areas?
  - (a) Primary school level.....
  - (b) Junior secondary school level.....
  - (c) Senior secondary school level.....
4. In your estimation, how many projects have been undertaken in the rural areas since the introduction of the DACF?
5. How does your outfit collaborate with the Assembly to improve standard of education in the rural areas?
6. In your estimation, do you think the introduction of the fund has improved the level of education in the rural areas?
7. Has the introduction of DACF affected the distribution of educational infrastructure in the rural areas?
8. If yes, what is the nature of the spread? Is it in favour of the rural or urban areas?
9. Apart from classroom blocks, what are the other facilities the Assembly provides to ensure effective teaching and learning?
10. Does the Assembly provide/offer scholarships to the needy pupils and students in the district? 1. Yes..... 2. No .....
11. If yes, how are the beneficiaries selected?
12. Do you consider the poor ones in the rural communities in the selection exercises?

13. In your own estimation, what is the total expenditure in the educational sector since the introduction of the DACF?
4. How does your department procure educational materials?
15. How is the distribution of these materials done?
16. Are there any constraints regarding the use of the portion of the fund for your department?
17. What is the major problem facing education in the rural areas?
18. Does the Assembly provide funds to motivate the teachers in the rural areas?
19. Do schools in the rural areas have full complement of teachers?  
(1) Yes..... (2) No .....
20. If no, what is responsible for this?
21. What is the effect of education on poverty reduction in the rural areas?



## APPENDIX V

### INTERVIEW GUIDE FOR THE DISTRICT DIRECTOR OF HEALTH

1. How do you perceive poverty?
2. How can quality health care delivery help reduce poverty?
3. Apart from the central funding, what are the other sources of funding to the health sector?
4. How has the DACF facilitated the development of the health sector in the areas?
5. Has the DACF increased the number of health centres in the district?
6. If yes, what is the number now?
7. What is the nature of distribution of these health facilities?
8. How many of these health facilities are in the rural areas?
9. How are these health centres accessible to the people in the rural areas?
10. Apart from the accessibility what other factors influence the utilization of these health centres?
11. What have been the proportions of your share Common Fund over the last five years?
12. How does your outfit collaborate with the Assembly to ensure quality health care to the people?
13. How does your department procure health materials?
14. Do you face any constraints in procuring health materials?
15. Do your medical doctors man the health centres in the rural areas?
16. If no, who mans these centres in the rural areas?
17. What major diseases affect the people in the rural communities?



18. What is responsible for this?
19. What are the major problems your outfit faces in ensuring accessibility to healthcare in the rural areas?
20. Do you have special assistance for the poor who access health care in the rural areas?

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## APPENDIX VI

### INTERVIEW GUIDE FOR THE SELECTED COMMUNITIES

1. Do you have any idea of the D.A.C.F?
2. What is the main source of the Assembly's revenue for development?
3. How does the Assembly get funds to undertake development in your area?
4. What projects have been implemented in your community by the Assembly?
5. What do you think these projects are meant for?
6. Does the Assembly involve you in the selection and implementation poverty reduction projects?
7. In your view does the Assembly ensure equitable distribution of development?
8. How do you perceive poverty?
9. Are you aware of the Assembly's poverty reduction strategies?
10. What has been the impact of these projects on your living conditions?
11. Do you accept the Assembly's poverty reduction strategies?
12. Are the poverty reduction measures adequate to improve your living conditions?
13. In your view what should have been done to ensure effective poverty reduction?
14. What is the major occupation of the people in your community?
15. In your estimation what is your annual income?
16. What form of assistance have you obtained from the Assembly to enhance income generation activities?
17. Does the assistance come in time?
18. How do you utilize such money?
19. How do you assess the people's patronage of projects provided under the fund?

20. How have these projects been able to reduce your level of poverty?
21. What problems have identified with the D.A.C.F projects?
22. What do you think should be done to solve these problems?

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**END OF INTERVIEW**