

UNIVERSITY OF CAPE COAST

**FINANCING LOCAL LEVEL DEVELOPMENT: A CASE STUDY OF
THE AGONA AND ASSIN DISTRICT ASSEMBLIES (1993-1997)**

BY

MICHAEL KOBINA AYENSAH

**THESIS SUBMITTED TO THE INSTITUTE FOR DEVELOPMENT
STUDIES OF THE FACULTY OF SOCIAL SCIENCES, UNIVERSITY OF
CAPE COAST IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR AWARD OF MASTER OF PHILOSOPHY DEGREE IN
DEVELOPMENT STUDIES**

JULY, 2009

DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature: Date:.....

Name:.....

Supervisors' Declaration

We hereby declare that the preparation and presentation of the thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Principal Supervisor's Signature:.....Date:.....

Name:.....

Co-Supervisor's Signature:.....Date:.....

Name:.....

ABSTRACT

This study takes a look at the issue of funding development at the local level. A case study of the Agona and Assin District Assemblies of the Central Region of Ghana in the period 1993-1997 is undertaken to help find solutions to the problem of inadequate funding for local development. The objective of the study was to analyze the system of financing local development, determine the degree of success of the system, establish the basis for the levels of success and propose an improved model of local level development financing.

Data was obtained from both primary and secondary sources for the analysis, which was mainly descriptive. The analysis covered the revenues and expenditures of the two District Assemblies. The relationships between revenues and expenditures were also explored.

The study found out that while both revenue and expenditure figures fell short of estimated figures at the end of each financial year, the districts assemblies continued to overspend their budgets by diverting resources from the capital budget to finance recurrent items. It was also observed that financial autonomy of the district assemblies was weakening because the assemblies continued to be dependent on central government transfers, especially the District Assemblies Common Fund, to finance their development expenditure due to a decline in raising own-source revenue.

The implications of the findings are that attempts at improving local level development financing should consider restructuring local revenue instruments and policies, bringing in additional private investment and improving the budgeting, accounting and financial reporting systems in the district assemblies.

ACKNOWLEDGMENTS

I would like to thank the Almighty God for the great and wondrous things He has done in seeing me through my education and especially for this work.

My sincere gratitude goes to Prof. John Micah, my supervisor, for his patient guidance and Dr. Francis Enu-Kwesi for painstakingly reading through the entire work and offering very useful suggestions. I would want to thank all my colleagues at CDS especially Mr. Ben Ampomah for allowing me into his home and for the use of his study. Thanks also go to Maame for initially typing the entire work and supporting me through the difficult times and all the numerous people who have assisted me along the way.

All errors of omission and commission in this work, however, remain entirely mine.

TABLE OF CONTENTS

Content	Page
DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
LIST OF TABLES	viii
LIST OF FIGURES	xi
CHAPTER ONE: INTRODUCTION	
Background to the study	1
Problem statement	5
Objectives of the Study	9
Research questions	10
Scope of the study	10
Organisation of the study	10
CHAPTER TWO: REVIEW OF LETERATURE	
Introduction	11
Strategy for local development	11
Local development models	13
Status of local government in Less Developed Countries (LDCs)	16
Local government in Ghana	18
Funding local development	18
Defining success in local development financing	21
Determinants of success in local development financing	21

Total public resource mobilization	26
Financial autonomy and central transfers	29
Inter-governmental transfers and local resource mobilization	30
The local financing system – a conceptual framework	31
Conclusion	35
CHAPTER THREE: RESEARCH METHODOLOGY	
Introduction	37
Study Area	37
Sample design	40
Selection of the study communities	40
Selection of respondents for the primary data	41
Data collection	44
Instrumentation and data collection techniques	45
The field survey	46
Data processing and analysis	47
CHAPTER FOUR: RESULTS AND DISCUSSIONS	
Introduction	49
Levels of revenue heads	49
Contribution by revenue items	51
Revenue collection performance	54
Implication for development	56
Expenditure categories and patterns	56
Revenue-Expenditure relationships and implications for development	64
Financial capability of the assemblies	70

Performance of the financing system	71
Infrastructure provision and local development	93
Conclusion	95
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	
Introduction	97
Summary	97
Summary of findings	98
Conclusions	100
Recommendations	101
Suggestions for further research	104
REFERENCES	105
APPENDIX 1	116
APPENDIX 2	122
APPENDIX 3	132

LIST OF TABLES

Table	Page
1: Communities selected for the study	42
2: Respondents by category and district	45
3: Levels of revenues - Agona District Assembly	50
4: Levels of revenues - Assin District Assembly	52
5: Revenue collection performance - Agona and Assin District Assemblies	55
6: Levels of expenditure heads - Agona and Assin District Assemblies	58
7: Relative share of expenditure heads (percentages) - Agona and Assin District Assemblies	59
8: Relative share of recurrent and capital expenditure (Percentages) - Agona and Assin District Assemblies	63
9: Revenue – Expenditure relationship - Agona and Assin District Assemblies (1993 – 1997)	66
10: Own Source Revenue (OSR) as a percentage of Total Expenditure (TE) – Agona and Assin District Assemblies	67

11:	Own Source Revenue (OSR) as a percentage of Total Revenue(TR) – Agona and Assin District Assemblies	69
12:	Functions of respondents from District Assembly	72
13:	Level of formal education of respondents from District Assemblies	73
14:	Duration of service of administrative staff at Assemblies	74
15:	Categories of revenue collectors	75
16:	Educational background of revenue collectors	75
17:	Rate payers' views on revenue adequacy	77
18:	Suggestions to improve revenue generation	79
19:	Awareness of the use of tax revenue	80
20:	Preparedness of respondents to pay additional taxes	81
21:	Responses for not being prepared to pay additional taxes	82
22:	Conditions under which respondents were prepared to pay additional taxes	83
23:	Percentage allocation of expenditure	86
24:	Rankings of expenditure prioritisation	87
25:	Factors influencing decision on rates	89
26:	Measures for improving revenue generation (market tolls)	91

27:	Measures for improving revenue generation (property rate)	91
28:	Measures for improving market toll generation (ranks)	92
29:	Measures for improving property rate (ranks)	92
30:	Expenditure for health and education (1993-97) Agona and Assin	
	District Assemblies	93

LIST OF FIGURES

Figure		Page
1:	The local financing system – a conceptual framework	34
2:	Map of Central Region showing the Study Districts (Agona and Assin)	 38

CHAPTER ONE

INTRODUCTION

Background to the study

Development is one of the ideals and aspirations of all human societies. It has an inherent functional value in raising the socio-economic standard and lifestyle of the citizens as it aims at providing basic needs to all, particularly the deprived sections of society (Shukla, 1987). Development is, however, a complex and uncertain process that cannot be easily planned and controlled from the centre.

The concept of decentralization has come to symbolize a new era of development strategy in Ghana's socio-economic relations. The cardinal issue has been a desire to safeguard the interests of the large majority of Ghanaians who, as it were, have been left out in the development process. With the inception of decentralized structures on which the local assemblies were established, there is a need for a new and institutionalised community movement designed to encourage the local people towards the revitalization of their social and economic activities through the spirit of diligence, self-help and cooperation. This is expected to facilitate local and popular participation. Mobilizing of popular efforts spring from a widely and deeply held belief that local development efforts will only

succeed if the main force behind it is a vigorous, democratic thrust from the local communities themselves (Coombs, 1978).

Since independence, successive governments in Ghana had experimented without much success, with policies and programmes that sought to decentralize the administrative machinery of the country. Despite their avowed aim, manifested by the several commissions and committees of enquiry that studied local government problems in Ghana, governmental function remained highly centralized in practice even if not in structure, and most activities were carried out by central direction and control. There was a complete centralization of governmental functions in financial, economic, institutional, administrative and political activities.

Financial centralization refers to the proportions of expenditure and/or revenue raised at national as against sub-national levels. In the administrative sense, centralization has meant a tendency to concentrate the most critical resources (finance and personnel) at the capital while leaving field administration in a lean state without adequate financial or personnel resources or discretionary authority.

The UNDP report on the preparatory assistance in streamlining the central planning process and in establishing decentralized planning structures shows that Ghana placed 38 out of 39 countries with locally collected revenue of only 3.3% of total revenue (UNDP, 1986).

A number of factors explain the adoption of the centralized strategy by virtually all African countries in the post-independence era. These factors include

the colonial legacy of a bureaucracy, which emphasised hierarchy, compliance and discipline. The received notions and theories of economic and political development modelled African socio-economic development after the experiences of the western nations that emphasized modernization. This meant a massive importation of western capital and technology to stagnant African societies that were expected to launch them into a take-off to self-sustained growth. The critical agent for receiving and deploying these huge resource inflows was the state and its chief instrument - the modern bureaucracy with its pre-occupation with planning, hierarchy and control.

The centralized system of governance has not succeeded in delivering the much-needed basic needs to better the welfare of the people. This failure is due to the fact that the centralized strategy contradicted all the experiences at social institution building and widened the gulf between state and society. At best, a highly centralized political, economic and administrative system elevated too many issues to the centre. The centre did not only become too attractive thereby heightening the desperation in the struggle for power to political office, it also distanced itself from the mass of social communities that were poorly connected by any means of communication to the centre.

The disillusionment with central planning and the shift in emphasis to “growth – with – equity” policies has led to the realization that the complex and uncertain process of development cannot be easily planned and executed from the centre (Rondenelli & Cheema, 1983). Development must be an essentially indigenous process in which the concepts of self reliance and popular

participation are used to ensure the maximum mobilization of each area's natural, human and institutional resources with the primary objective being the satisfaction of the needs of the inhabitants of that area. The dominant building blocks of this concept of development are the local, territorially based community at the smallest scale that is efficient and effective.

Local governments are the preferred administrative form of decentralization because they allow for the genuine decongestion of the central government. It allows decision-making powers and control of the necessary resources to be transferred to localities where they are expeditiously exercised to deal with local problems. Local governments, by breaking the bulk of the governance workload, reduce it to manageable proportions and are able to harness local knowledge, resources and expertise for the provision of services in known geographic areas, thereby promoting greater efficiency in the provision of services. This service-provision function has been identified as the reason for the existence of local governments (Gboyega, 1989).

However, unlike local governments in most industrialized nations of the world which have substantial human and financial resources, those in the developing countries are very weak and depend almost entirely on central government transfers.

The absence of effective local governance systems in most LDCs is the most critical problem confronting these countries. Local governance refers to the totality of the active forces - actors, institutions and regulations which exist in a local area and the manner in which political power is exercised within this

geographic area- to improve public welfare or to undermine it. The primary task of local governance institutions is to advance public welfare by ensuring that critical services are provided adequately not only in terms of quantity and quality but also within the framework of good governance norms of efficiency, accountability, transparency and policy pluralism. These are often more important in determining the capability and performance of local governments than their structure or internal organisation (Ostrom, 1992).

Problem statement

Local government fiscal operations can play an important role in macro-management of the economy. At the local level, certain goods and services are best provided through public means. Hence, issues of efficiency, resource allocation and distribution become relevant at the local level of government. It is generally agreed that certain taxes, levies and rates are better collected at local government sources (Shah, 1991).

Expenditure made at the local level may not only be centrally financed but also centrally directed. Local governments which act as central expenditure agents do not reflect expenditure decentralization in a meaningful sense, just as centrally collected but shared taxes do not imply proper revenue centralization (Musgrave, 1993).

Central governments in most developing countries are reducing the growth and scope of their own activities in response to economic realities and donor pressures. It, therefore, becomes important to strengthen local governments to

take up the challenge of providing services to the local constituents. There is also growing awareness of the potentially productive role of local governments in raising resources to provide these services, expand rural-urban linkages, stimulate private investment and implement national development policies (Montgomery, 1972; Uphoff & Esman, 1974; Rondenelli, 1978, 1981, 1982; Rondenelli & Nellis, 1986; Mawhood, 1983).

The focus on a broader role for local governments is strongly supported by multilateral development agencies because it is believed that, local governments can better harness the resources in local areas for development. Cochrane (1983) notes that an effective public sector in a modern developing economy depends on the ability of the central government to harness the resources of lower level governments.

There is less emphasis on financing central government programmes because of reactions against central planning and control and more emphasis on the market and decentralized institution building that supports the growth of the private sector. Such policies are often administered through decentralized agencies of the central government and local governments. The additional burdens on local authorities have led to calls for reforming them in many countries.

The need for such reforms have been particularly emphasised with respect to Africa for a number of reasons. Notably, it is expected that the mobilization of local government may be particularly important because many African countries have been so severely affected by structural adjustment cutbacks in central

government budgets that the strengthening of local governments could be regarded as the only way to rehabilitate national public finance and hence the only means for ensuring sustainable growth (World Bank, 1989).

Consequently, within the context of decentralization, local governments have been set up to provide local services, infrastructure and other facilities that are not only necessary for promoting social welfare but also are required for raising productivity, allowing markets to function effectively and creating opportunities for employment and entrepreneurship. These services and facilities include basic health and education, street lighting and cleaning, public markets and refuse collection, major transport and road networks and land development for business and residential purposes.

It is evident, therefore, that local governments need revenues to provide them with the means of meeting the costs of providing public facilities and services necessary for the socio-economic well being of their constituents. This task is made even more difficult by continuous population growth, which translates into increased service demand.

It becomes important again to recall that inadequacy of financial backing has been the cause of the failure of local governments in Ghana in the past. What this means is that in the past, local governments in Ghana were not effective, and therefore their impact on local level development was limited. They were not able to generate the volume of financial resources needed to meet the costs of their functions. They suffered from what we may call revenue inadequacy or inadequate fiscal capacity. Programmed expenditures for many years had to be

shelved due to lack of funds to finance all the projects planned in the annual budget. Repeated failures to implement projects that continued to be on the drawing board due to revenue shortfalls eventually led to a loss of confidence in the assemblies. Unsatisfied project demands were then followed by laxity in tax obligations and the problem becomes cyclical. The assemblies are unable to perform due to lack of funds and the people are unwilling to pay taxes due to lack of development projects. Grants-in-aid were introduced to assist the assemblies in the provision of basic community needs. These were sometimes not budgeted for when they were sent hence they were often not put to judicious use. Apart from the insufficiency of the grants, they soon added to the budgeting problems of the assemblies since many did not know what formula was being used to allocate these grants. In many cases they increased the gap between estimated and actual revenues. Dotse (1991) conducted a research on 20 District Assemblies in 1990 in which it was confirmed that revenue shortfalls were a common feature amongst the new as well as the old assemblies. The District Assemblies Common Fund was therefore set up by Act 455 of 1993 to provide additional resources to local governments for development.

In consultation with the Ministry of Local Government and Community Development and the Controller and Accountant General, the Common Fund Administrator issues guidelines for the disbursement of funds as well as the preparation of returns of payments made to the districts. The formula currently being used in sharing the common fund is based on four main criteria. These are:

- the development status of the district

- service pressure factor
- the responsiveness factor
- equalization factor.

The responsiveness factor is a matching fund component, which seeks to reward districts that are able to generate more revenue on a per capita basis with more funds to encourage the districts to increase own source revenue.

Without adequate fiscal capacity it will be impossible for our local government systems to survive. It is therefore imperative that we examine the current decentralization programme to ascertain whether the system of financing local development provides the local government units with adequate fiscal capacity for their survival.

Objectives of the study

The general objective of the study is to analyse the system of financing local level development for the purpose of improving the system.

The specific objectives are to:

- examine the system of financing local development
- determine the degree of success of the system in financing development at the local level.
- establish the basis for the levels of success or otherwise
- recommend measures for improving the system of local level development financing

Research questions

In addressing these objectives, the following research questions are raised:

- what is the nature of the financing system in place?
- how successful has the system been in financing local level development?
- what factors contribute to the levels of success or otherwise?
- what can be done to improve the system?

Scope of the study

The study was conducted in the Agona and Assin Districts of the Central Region of Ghana. The period of the study was the time span from 1993 – 1997. This is particularly important because it offers the opportunity to study the local financial problem after the decentralisation policy of the nation. Also, the period offers the opportunity of comparing the period just before and after the introduction of the District Assemblies Common Fund.

Organisation of the study

The study is organised into five chapters. Chapter one covers background to the study, problem statement, objectives of the study, research questions and shows the scope of the study. Chapter two provides a review of related literature and a theoretical overview.

Chapter three outlines the methodology for the research. Chapter four provides results and discussions of the study. Chapter five covers the summary of findings, conclusions and recommendations.

CHAPTER TWO

REVIEW OF LITERATURE

Introduction

This chapter contains a review of related literature. It discusses the issues in funding local development and the development strategies adopted in the past by various governments in the developing world in general and in Ghana in particular. The status of local government in developing countries and various local development models are also discussed. A conceptual framework is then discussed to conclude the chapter.

Strategy for local development

Ollawa (1979) states that the political and economic structures inherited by the new African states have been largely responsible for the adoption of a most top-heavy and inadequate pattern of development which is manifestly unable to cope with the underlying contradiction and uneven processes of change that are so characteristic of their economies. He argues that current models and strategies adopted by most African governments for local development are largely influenced by two basic theoretical assumptions. The first of these is the Rostowian View; that the “Western Model” provides the LDCs with the shortest route to economic progress. The second theoretical perspective is the assumption

that economic development is tantamount to urban industrial growth and high statistical aggregate growth measured in terms of the GNP or income per capita, and that balanced growth is the most appropriate strategy for realising this objective. He further observes that after a decade of experimentation with this strategy, none of the African States could be said to have achieved even a modicum of balanced growth, let alone fulfilling the lofty hopes that heralded the attainment of independence. Hence, he proposes a new development strategy based on the fact that resources available at the local level can and must be transformed into inputs for development. Hence the adequacy of any local development strategy is dependent upon its capacity to stimulate the participation of these local factors. According to him, the strategy considered capable of bringing about the desired results is that which generates linkages between agriculture and local industries, based mainly on available local materials and between these and national development.

This argument confirms suggestions by Diaw (1994) who maintained that what is often overlooked in local development strategy is the cardinal fact that human resources constitute the single most important element in the development effort in Ghana. He stresses that the only way to get local communities to take active interest and participate in local development is to make them feel that their opinion is of paramount importance in the design, planning and implementation of the development project. This implies that the top-down approach or centralised model, which so far has ignored active local participation, was responsible for the

ineffectiveness of local government councils. The local people felt reluctant to pay their basic rate and to undertake self help projects.

Other works focused on the question of development strategy adopted by Ghanaian and other African government. Nkrumah (1990), writing on centralised administration and rural development in Ghana, hypothesized that, centralisation has caused “rural atrophy”. According to him, the centralised model that excludes active local government units has no answer to community development because the central government machinery cannot expand to every corner of the country to maintain services on a permanent basis. Therefore, no matter how distasteful the sharing of political authority is to the central elites, for logistic reasons alone the central elite must at some stage of the nation’s development, encourage the setting up of local governments and allocate them specific responsibilities for local development.

Local development models

Local development is a multi faceted process. Several models have been proposed, each taking cognisance of the direction of approach or the type of orientation to development. With particular reference to local council administration, two basic groups of models have emerged in the literature. These are the centralization and decentralization models.

The explicitly theoretical treatment of sub-central government is a relatively recent phenomenon. For the bulk of the post-war period, any discussion was limited not only to the relationship between central and local authorities but

also to the “agent” and “partnership” versions of this relationship. In the agent model, local authorities implement national policies under the supervision of central departments whereas in the partnership model local authorities and central departments are equals. For a number of reasons, notably the financial dependence of local government on the centre, the relationship has shifted from one of partnership to one of agency, a trend condemned as an erosion of local autonomy (Rhodes, 1988).

Because it was all too easy to point to the descriptive and analytical inadequacies of these models, a considerably more sophisticated variety of theories have provided the currency for academic exchange. Cliffe and Saul (1972) have put forth the concept of the “District Development Front” designed initially to describe and evaluate the attempts of the Tanzanian government to spur on local development. Their framework called for an analysis of three related phenomena;

- the development strategy of the national leadership
- the political institution involved in local development at the district level ;
- and
- the major dimension of the district’s socio political situation

Another model based on the “centralization paradigm” was also devised by Graham (1980) for the study of local government. The model argues that national development can best be achieved through a command economy. It envisages the formation of a national development plan for the whole society. Maximum utilization of limited human and non-human resources and a formation

of integrated political and administrative structures in order to guarantee more effective implementation of national policies and more positive results from programmes designed to produce tangible improvement in industry, agriculture and urban development. Graham's model sees the national society as composed of diverse groups and communities- some supporting and others opposing change. He therefore projects the following set of values:

- the primacy of central government's development goal
- the need to mobilise people collectively behind the task at hand and to direct their activities to ensure results, and
- the importance of concentrating decision making authority and power in the hands of a limited number of persons in order to guarantee maximum utilization of the nation's resources and minimisation of the obstacles to change.

Having rejected the centralised model as being unable to deliver local development, another model based on decentralization of the political, administrative and financial system may be suggested in its place. Instead of the central government alone performing the economic, social and administrative task of local development these may be split and assigned to various lower level authorities, each of which exercises its responsibility exclusively in its area of jurisdiction.

To release the productive forces of society, mobilise the human resources essential for development and overcome the bureaucratic obstacles to change, this particular body of management doctrine advocates greater autonomy and the

creation of new governmental and non-governmental organisations outside the established administrative hierarchy. At the local level, it is not uncommon to find this idealized view of local autonomy linked to the image of a more virtuous, rural, small town society.

By the provision of the decentralised model, autonomy is seen as an element of achieving more responsible, responsive and accountable government (Jones and Stewart, 1982). In addition, the decentralisation approach removes two of the chief problems of the centralist model to local development, that is, administrative and financial inadequacies.

Status of local government in Less Developed Countries (LDCs)

Local governments in most Less Developed Countries are poorly developed and accorded very low status as compared to central government agencies or the local government systems of the industrialized nations.

Local governments do not have access to reliable and buoyant fiscal resources. In some countries local governments do not have any revenue sources that are either exclusive to them or which they can regard as their own. Rather, they collect whatever meagre and regressive taxes/rates they are authorised on behalf of the central government out of which a percentage, usually very low, is given to them. This is supplemented by a variety of other fees and charges, which they can collect, although only with the approval of the central governments. Most importantly, local governments depend on grants or revenue transfers from the centre. None of these revenue sources is reliable, as the base rates and size

may be unilaterally and suddenly changed by the central government even though the responsibilities allocated to local governments require ever more resources to deliver especially with increasing population in most local areas. Given these circumstances local governments tend to transfer responsibilities to central government departments or special purposes agencies. In addition, since they lack adequate fiscal resources, they are unable to hire and/or retain highly skilled personnel. Local government is thus not in a position to compete for skilled staff in the labour market. This not only further weakens the system, but makes the administrative system inefficient and corrupt. The vicious circle of poor fiscal and personnel bases, reduced responsibilities and non-elective and non-accountable leadership, result in a local government system that has little credibility in the eyes of the central government or the public. In many cases, members of the public resort to developing alternative local institutions to mobilize resources from the community and provide some goods and services for its constituency but these remain largely or completely disconnected from the administrative system.

The reasons given for such a situation include the feeling that strong local authorities would mean that rich local authorities get richer while their poor counterparts become poorer (Prud'homme, 1989; Olowu, 1990, 1991,).

In spite of these, there is an increasing recognition that good local infrastructure are crucial for economic growth and that local authorities can mobilise most of the required resources if properly empowered.

Local government in Ghana

In Ghana, local government is currently undergoing reforms to make local authorities more viable. This viability would be facilitated to a greater extent by the availability of adequate financial resources. The need to make local governments financially sound has been recognised and given the necessary attention. This is evidenced by the introduction of the District Assembly Common Fund and the appointment of a Common Fund Administrator to augment the financial position of the District Assemblies. The general conclusion is that local government units have to be made more effective and efficient in the performance of their duties. To this end, they must increase their revenues by exploring supplementary sources, improving upon current tax systems as well as improving upon financial management.

To give further thought to the question of local government finance, the issues of improving the existing tax administration system and exploring new revenue sources are paramount. The Assemblies can then generate sufficient revenue and with proper management, effectively develop their areas.

Funding local development

One of the few empirical works on funding local development undertaken in Ghana is that of Dzakpasu (1976). His evaluation of the performance of Dzodze local authority in the 1966-69 period revealed that financial incapacity has had obvious limitations on the development efforts of the Local Authority. The populace of Dzodze always looked up to either the government or the Local

Authority for every piece of amenity. He also identified lack of unity among the chiefs as one of the causes of the poor performance of the council.

In a working paper, Nsarkoh (1980) stated that under the Busia regime it was observed that even though the local authorities had power to generate revenue in their areas, they could not generate sufficient revenues for the effective discharge of their responsibilities. The need for subvention from the central government therefore led to the establishment of the local government grant commission through which grants were to be allocated to the regional and local government councils established under the 1969 constitution. Even though the argument was that the local councils did not have the means to discharge their functions, the situation was that they did not demonstrate the capability to discharge the roles expected of them. The establishment of the local government grant commission by an act of parliament (Act 689) was intended to remedy some of these defects.

Nsarkoh (1977) also noted that there was no way of increasing revenue. He maintained that the existing available sources of revenue offered plenty of scope for expansion provided that the councils would apply themselves to the organization of revenue collection as a matter of paramount importance. In considering how to apply development grants he suggested that councils should give priority to self-help projects. He also found out that some councils had already adopted this practice and provided materials in the hope that voluntary communal labour would be used to the fullest extent. He recommended a universal application of this practice.

Other scholars have also identified inadequate funding as a hindrance to development. Stressing the importance of finance in the performance of local government, Humes (1973) observed that the basic weakness of local government as a promoter of economic development has been lack of sufficient function, funds and functionaries to undertake capital development so vital to economic prosperity. Apart from his emphasis on finance, he also stressed the management problem; that is what he referred to as lack of functionaries. Thus, in his study of local government administration in Nigeria he stated that the calibre of membership of the local councils had been generally poor; too few qualified and ill-motivated men were available for office. Hence the local government councils were ineffective in discharging their obligatory functions.

Another study of great relevance is the work of Pepra-Omani (1986). In her research work on administrative capability of district councils, she argues that one of the most important factors which contribute to low productivity of local authorities had been lack of qualified personnel to man the administration at the local level. The objective of her work was to find out the extent to which the staff recommendations made by the Mills-Odoi commission in 1967 and the new local government act (1974) have been implemented in some district councils in the Ashanti Region and to assess the administrative capability of the District Councils. Her findings revealed that the recommendations have been implemented to a greater extent notwithstanding the difficulties and problems. The study further found out that the administrative capability of the councils had also improved since the introduction of the new local government system in 1974.

However, she concluded that despite the improvement in the administrative capability of the councils, their productivity had not increased much. She attributed this low productivity to duplication and multiplicity of functions among various departments, which controlled their own vote, and since the votes were very small, each department was only capable of achieving very little.

Defining success in local development financing

Success in financing local development is a difficult concept to define, especially when it has to be measured relative to objectives and circumstances that might vary considerably across and within countries. Broadly, however, success in local development financing has been defined as the ability of a local government to mobilize substantial resources to provide adequate levels of services relative to other local authorities in the country being considered (Olowu and Smoke, 1992).

This definition, according to Olowu and Smoke (1992), though very subjective, was adopted since finance (that is, the mobilization and utilization of resources) is regarded as the most important challenge confronting local governments.

Determinants of success in local development financing

The major determining factors of success in financing local development include the following:

- the budget balance sheet: a successful local government financing system should have more surplus than deficits within a period of five years

- major local revenue sources (direct local taxes, user charges and central governmental transfers) should generally show growth relative to inflation and population.
- local expenditures, both recurrent and capital, should support a range of significant social and infrastructural services and should also show growth.
- indicators of quantity and quality of services delivered should be high.

Other key determinants of success of local development finance are some institutional parameters. These include:

- the management (compilation, storage and retrieval) of financial information
- the relationship between the central government and local government
- the financial management system, including revenue collection, budgeting, auditing and debt management
- the staffing situation
- the relationship between the local government and the community including non-governmental organizations

A number of factors also appear to affect the success or otherwise of financing development at the local level. These factors allow an assessment of the extent to which local governments can control their own performance and the degree to which both central and local policies that have helped stimulate success in specific places might be relevant for wider application. These factors include;

- Location and Economic Base

- Enabling legal framework
- Mobilization of resources
- Nature of central control and support
- Effective local management
- Effective internal and external relations
- Responsiveness to constituents
- Interaction with other local authorities

The success of a local government in financing development is a function of location, which is an important determinant of economic potential and revenue base. Local governments, which are located in relatively dynamic urban areas, are likely to have access to more buoyant revenue sources than their rural counterparts. Rural local governments, which have a high agricultural potential or are well endowed with natural resources are also likely to have access to good sources of revenue. It must be pointed out though, that location in such areas is not a sufficient condition for successful local development financing.

A precondition for sustained success is that local authorities have a clear legal status and well-defined powers and responsibilities. This is the legal framework that enables development to proceed undisrupted. Where this is not the case, there is a danger that undesirable situations will arise, e.g. wasteful redundancy in service provision, intergovernmental competition for productive sources of revenue and general failure of the government system to provide key public services. The legal framework must, therefore, be quite precise thereby

avoiding all ambiguities. It also has to define clearly the separation of sources of revenue among the different tiers of government to avoid conflicts.

An important aspect of local governments' success is their ability to mobilize revenue effectively from their economic base. Resource mobilization has complex dimensions because it is based on mutually supportive interaction between the local government and the private sector. On the one hand, the success of the private sector depends on the provision of basic services by a well-managed local government. At the same time, the more successful the private sector, the greater the revenue base – commercial, industrial and residential - from which the local government can draw to operate and improve existing services and facilities.

Another dimension of resources mobilization, which accounts for successful financing of local development is that almost all local revenues are derived from only a few well-developed sources which are effectively managed. For example, in Nigeria, the Onitsha local government derives over two-thirds of its own source revenue from profitable markets and motor park operations while the two municipal councils in Lagos are among the few urban governments that consistently derive a large share of locally generated revenue from property taxation (Olowu & Smoke, 1992). Other dimensions of local resource mobilization, which contribute to successful local development financing, relate to local government enterprise and reliable mechanisms, either internal or external, for financing the capital development budget.

Given the fairly substantial levels of political, administrative and fiscal centralization that characterise most governmental functions in Africa, central

government actions significantly affect the performance of decentralized authorities. It is justified that central government exercise some level of oversight and control over local government activities due to the resource restriction and the limited capacity of most local governments. There is, however, a delicate balance to be maintained between ensuring that national priorities are being met and protecting the degree of local autonomy. Too much control is likely to undermine administrative and economic efficiency, particularly, if it is exercised arbitrarily or under excessive political manipulation (Smoke, 1989). The control function must also be balanced with adequate financial, technical and administrative support. When grants are an important component of local income, for example, local cash flow and service provision problems arise if transfers from higher to lower level governments are not fully and promptly made. Such supports from central governments as planning, financing and implementing programmes can play a key role in local authority success in financing local development.

Good management practices are a prerequisite to establishing local authority success in financing development. Good management by local authorities are judged by their ability to make significant efforts locally to develop effective revenue collection and financial control practices, to recruit qualified staff and to remunerate them adequately, to avoid employing more staff than is necessary to keep reasonably good records and to use their records to help them in planning development activities as well as their day to day operation. Effective local management also means the ability to take the initiative to participate in

training programmes and to take advantage of other forms of support offered by the central government.

Local authorities have been effective when they have been responsive to their constituents and the beneficiaries of particular development projects. The failures of local governments in effectively financing their development agenda have often been due to their failure to consult the local people. This has often resulted in the failure of development projects and the disillusionment of affected residents and service users. Such cases include the location and/or design of facilities and styles considered inappropriate by the users of these facilities. There are also cases in which the local authorities have set unaffordable fee structures for public services or failed to react to public complaints about problematic services. When the local people are closely involved in the decision making process, they feel that the council is working with them to promote development in their area. Residents are then likely to be cooperative in these circumstances and development projects are likely to be successful.

Total public resource mobilisation

In many developing countries, increasing public expenditure on human development requires more than restructuring existing budgets. There may also be the need for an increase in public revenue and expenditure ratios (HDR, 1991). It is, therefore, important to explore the possibility that the creation of effective lower levels of government may serve as a means by which the need for increased total public resource mobilisation can be met.

One of the principles, which are believed to help elicit additional contributions even among the poor and from poorer regions in developing countries, is the Visible Benefits Principle. It is believed that strengthening lower level governments may lead to improved mobilisation of local resources through the willingness of consumers of public services to "share the burden" when they can actively participate in the design and operation of projects. This would seem to apply only where local residents believe that a significant proportion of taxes would be retained locally and spent on projects and services, which they value. According to its advocates, such user charges could serve as a means of financing recurrent costs and avoiding reliance upon central transfers (Bahl & Linn, 1983). The 1988 World Development Report (WDR, 1988) notes that for efficiency, "the cost of providing local services should be recovered, to the extent possible, from charges on beneficiaries."

This is said to be especially important at the local level because being closer to the beneficiaries, local public services are more amenable to such charges than services provided by higher levels of government. A study in the "Upazilas" in Bangladesh, for example, found that among those who indicated their readiness to contribute to local development activities, the poorer groups were more willing to do so than the better offs provided they did not have to carry a disproportionate share of the burden (Thomas, 1989).

Non-compliance or reluctance to pay may, therefore, be attributed to a perceived lack of benefits. According to Rondenelli (1990), the widespread image of inefficient municipal management explains the African city dwellers'

reluctance to pay taxes. In Zimbabwe, for example, the very low yield of the development levy is due, in part, to the perception that the funds will be "wasted" on local council administration (Mackintosh and Whyte, 1988). In Nigeria the general public is said to be strongly resistant to property rate collection and other charges, a hostility due in part, to the fact that residents do not feel that they are getting the amount and quality of services for which they are paying (Rondenelli, 1990).

Perhaps the practical significance of the visible benefits principles lies in the local mobilisation of voluntarism, the other principle found in the literature. This taps resources for public investment, which might otherwise have remained untapped. The "Harambee" movement in Kenya evidences the revenue raising potential of the visible benefits principle for development. It has been argued that successful lower level government is a crucial complement to effective self-help (Schaffer, 1982). However, the efficiency of voluntary contribution of labour and materials will depend on the opportunity cost therein. At certain times of the year, such as the non-harvest season in rural farming communities, the opportunity cost of labour may be extremely low. Efficiency requires that the society-wide benefits of the project, at least, equal the opportunity costs of the individuals who donate labour and materials.

Some scepticism is, however, expressed about the scope for increased resource mobilisation via the voluntarism route. It has been argue, for example, that voluntary contributions, both monetary and in kind, rarely account for substantial amounts of revenue and that their growth potential is limited (Bahl,

Miner & Schroeder, 1984). Moreover, "self-help" associations may become a drain on the construction of facilities, rather than their maintenance thereof and as such the national government may be under pressure to meet recurrent costs (Hughes, 1985).

Financial autonomy and central transfers

Financial autonomy can be defined as the ability of government units to finance own expenditure from own revenues. The importance of financial autonomy is a theme that is seen to be crucial for the success (or failure) of any programme for decentralisation (Rondenelli, 1982). He observed that lack of financial autonomy reduces the burden, but increases the dependence of local authorities, who generally neither impose taxes nor have to justify to local populations how money is spent. Unless local governments have a significant degree of financial autonomy, genuinely independent decisions would not emerge at the local level. Local decision makers would not have the incentive to behave according to local needs since the resources they would be expending would not be that of the local constituency. In such a situation, local governments would merely be the deconcentrated agent of the centre. However, it must be pointed out that for equity reasons, the central government may retain much of the resources and ensure, at least, a minimum degree of parity in the provision of public goods among localities. This is important due to the substantial disparities that would exist among local governments in most developing countries. The grant system that would be practised by the central government could be used to ensure that local decision-makers behave responsibly. Strictly tied grants would

have more far-reaching repercussions for financial autonomy than lump sum transfer.

Inter-governmental transfers and local resource mobilisation

Transfers from higher to lower levels of government are often a significant source of local finance. Local resource mobilisation may either expand or contract in response to the transfer. In the former case, the transfer is termed stimulative while in the latter, local government cuts back on local revenue and substitutes with central transfer (Bahl et al, 1984). The objective of inter-governmental transfers should be to allow recipient local governments to fulfill their expenditure functions while encouraging their own fiscal effort as far as possible and ensuring an equitable distribution of public service provision throughout the country. According to the World Bank (1988: 165-6) local governments come to view grants as substitutes for local taxes and user charges. Similarly, Bird (1990), expresses the view that an increase in total resource mobilisation is unlikely to follow central grants in practice.

Matching requirements is one of the measures used to stimulate local resource mobilisation. Under these conditions it is in the locality's best interest to continue raising revenue, which, in addition, ensures that it has more vested interests in the overall success of the project. There is a strong theoretical argument for matching grants (Bird, 1990) in which the central government pays part of the cost of an expenditure carried out by a local government, in cases in

which some of the benefits from the local activity in question spill over to other localities.

However, while the theory of matching grants is clear, in practice the precise matching rate appropriate for particular expenditure programmes is difficult to determine and hence arbitrary. In most cases, on balance, it seems likely that the Central Government's share is set unnecessarily high.

The local financing system – a conceptual framework

In Ghana, local development revolves around the central government and the local government institutions. A careful examination of the key concepts of local development, local government and development is necessary here.

Local development involves any clear and consciously applied strategy to restructure the economy in order to satisfy the material needs and aspirations of the masses and to promote individual and collective incentives to participate in the process of development. This involves a host of multi-sectoral activities including the improvement in agriculture and local industries, creation of the requisite infrastructure and social overheads as well as the establishment of appropriate decentralised structures in order to allow mass participation in both planning and execution of development programmes (Ollawa, 1979).

The concept of local government entails the notion of decentralization which encompasses the transfer of political power and responsibilities for decision making to a lower level body to act as an instrument of the government and exercise responsibility over a reasonably large territorial unit. Thus, local

government is seen as a public organisation authorised to decide and administer a limited range of public policies within a territory which is a subdivision of a regional or national government (Darity Jr., 1995). It is a deliberative as well as an administrative body separately elected, and charged by the people according to the ideals and needs of the people (Nsarkoh, 1977). Thus, any development model capable of stimulating local development through the local government system must take into consideration the ideals and needs of the people. This will require their involvement in both the planning and execution of development programmes.

The concept of development centres on the major concepts of economic growth, which have been accumulating since the 1930s. The most important of these concepts is, first the crucial role of innovation and the private sector in development. Second is the idea that government could and should intervene in the market economy to achieve full employment; and thirdly, the concept of national accounts as a tool for measuring a country's economic performance (Stohr and Taylor, 1981).

Emanating from the above concepts of development, the development strategies adopted by most African governments on local development have been largely influenced by two basic views:

- the Rostowian View that the western model provides the LDCs with the shortest route to economic progress. Although now largely discarded as a-historical, its impact on the developmental outlook of many African

leaders can perhaps be fully appreciated if it is placed in the matrix of the second theoretical perspective.

- the assumption that economic development is tantamount to urban industrial growth and high statistical aggregate growth, measured in terms of GNP or income per capita and that balanced growth is the most appropriate strategy for realising this objective.

These views embodying the major concept of development were applied in Africa in order to bring it into the mainstream of international development. Within this framework, “Local Government” includes the local administrative machinery, the District Assembly, and other institutions in the local environment which have a potential for providing and/or maintaining local infrastructure. The core agency is the District Assembly. This agency has two primary objectives:

- to identify institutional, human and fiscal resources that can be harnessed for the purposes of developing and sustaining local infrastructure
- to mobilize these resources towards the provision and maintenance of the local infrastructure.

An effective local governance system does not necessarily require the administrative machinery to produce this infrastructure itself but it can mandate other organisations within the local area to provide these services on its behalf, thus separating service provision from production (Ostrom, 1992).

As illustrated in Figure 1 below, the District Assembly, at the centre of the local financing system, identifies and mobilises the financial resources of the district through its revenue sub-committee and mobilisation unit respectively.

Fig. 1 Conceptual Framework

These resources are then channelled into a reliable and effective system of local infrastructure which then attracts private investment to the local area from both external and domestic sources. On the other hand, the absence of this infrastructure not only repels investors but also imposes on industries that are already located in the local environment very high costs of self provision of services such as water, electricity, roads, schools and health facilities.

Just as infrastructure attracts industries thus generating employment and improving the local economic base, so also do these industries stimulate the growth of a variety of service industries, which further facilitate the exchange of goods and services. This increases the capacity of the local residents to pay taxes, participate more effectively in local governance and build more effective institutions for promoting local governance. This local prosperity will lead to demands for higher levels of services and in turn lead to higher levels of taxes. The increase level of taxes feed into the revenue system of the local area and helps to further improve the local infrastructural provision and ultimately leads to improved local economic base.

Conclusion

The problem of inadequate funding as a hindrance to local development is given prominence in the literature. It is noted that even though most local governments had the capability to expand their own source of revenue, they could not generate sufficient revenue for the effective discharge of their functions.

Apart from inadequate funding base, local governments are not able to attract and maintain an efficient management system that is capable of making it efficient.

In addition, the dominant development strategy in the immediate post - independence era did not augur well for the development of most local areas within the newly independent states of Africa. After decades of experimentation with the centralised structure, the development strategy changed to a decentralized one which is expected to generate linkages between agriculture and local industries based mainly on available local resources to promote national development.

The new development strategy is to strengthen local governments by making more resources available to them to help release the productive forces of society, mobilize the human resources essential for development and to overcome the bureaucratic obstacles to change. It is expected that this will lead to the achievement of a more responsive, responsible and accountable government at the local level (Jones and Stewart, 1982).

CHAPTER THREE

RESEARCH METHODOLOGY

Introduction

This chapter comprises discussions on the study area, sample design and selection of the respondents, the techniques of data collection, data processing and analysis.

Study area

The study area comprised the Agona and Assin Districts. Agona District is located in the north-eastern part of the Central region and is bordered by Birim South to the north, West-Akim to the northeast, Gomoa to the south, Awutu-Effutu-Senya to the east, Asikuma-Odoben-Brakwa to the northeast and Ajumako-Enyan-Essiam district to the west. It covers a total land area of about 667 square kilometres. The district capital, Swedru, is about 24 km from Winneba and its strategic location makes it a nodal point from which major roads radiate into the rich cocoa-growing zone. It is also a major commercial centre in the region. The vegetation of the area falls within the moist semi-deciduous forest zone and has a lot of valuable trees suitable for timber processing. Tree species such as mahogany, sapele, wawa are common in the area. Timber processing is thus a major economic activity in the district.

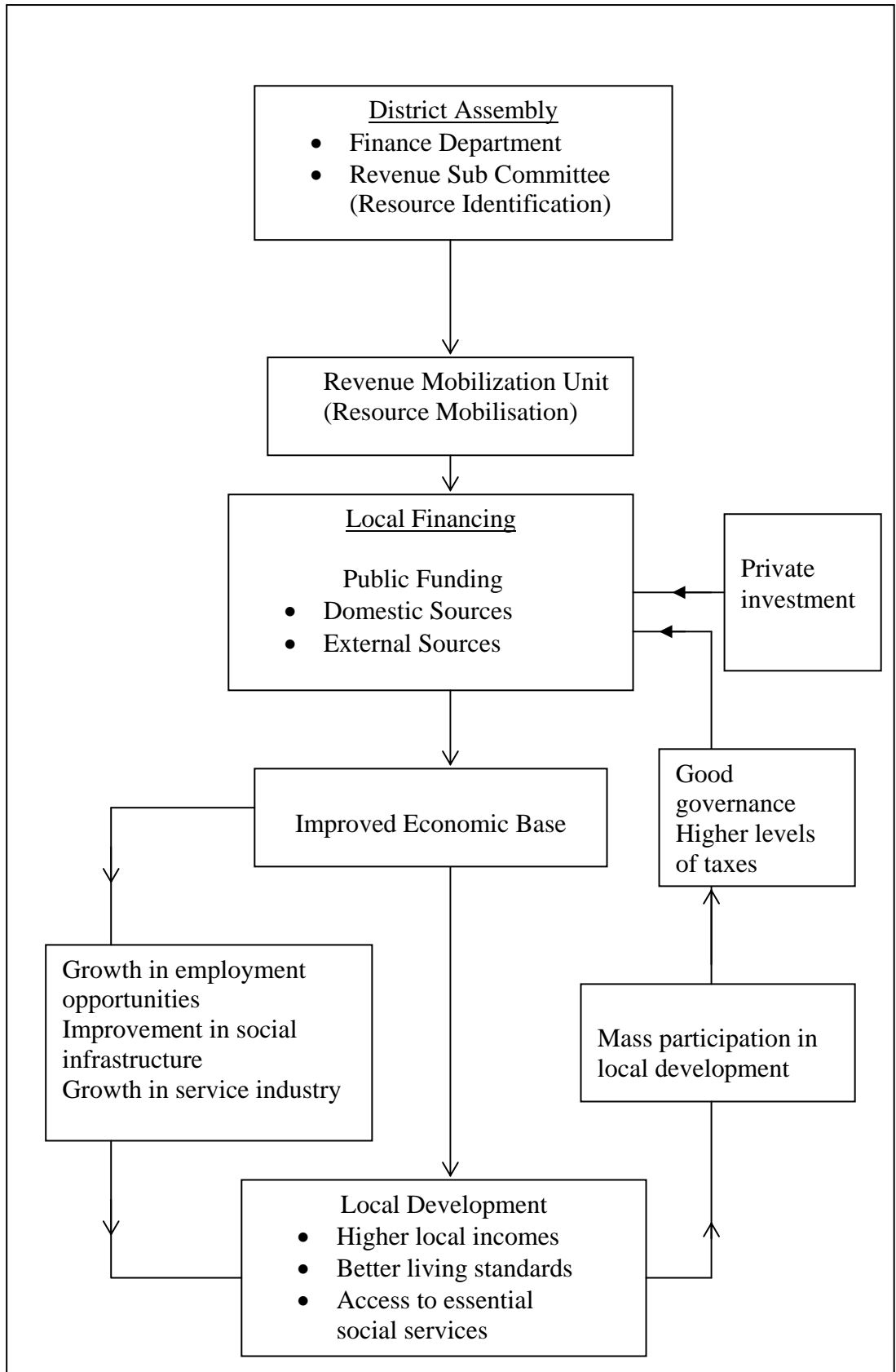


Figure 1: The local financing system - a conceptual framework.

Source: Adopted from Kessey, (1995)

Fig. 1 Map of the Central Region showing the Study Districts (Agona and Assin)

It has a bi-modal pattern of rainfall with maximum occurrence in May/June and September/October. Annual rainfall is between 1000 mm and 1400 mm. The dry season starts from December to March with the highest mean monthly temperature of about 33.8°C occurring between March and April and the lowest of about 28.4°C in August. As a result of environmental degradation caused by farming and logging, most of the original forest has been reduced to secondary forest. However, thickets and patches of primary forest still exist even though grass species are gradually gaining prominence in parts of the district.

There is an extensive tarred road network linking all the zonal centres in the district. A greater part of this road network is in good motorable state. However, roads from the zonal centres to the outlying settlements are limited. On the whole, the road network in the district is good. Movement of goods from the district is thus quite easy.

Education and health facilities are well developed in the district. Both public and private schools are available at the nursery, primary and JSS levels, and there are five public senior secondary schools as well. The public health service comprises a district hospital in the capital, one health post and four community health posts.

The Assin District is situated in the northern part of the Central Region. It shares boundaries with the Ashanti Region in the north, Eastern Region in the east and several districts of the Central Region itself to the west, south and south-east. It is the largest district in the Central Region, covering 2,375 square kilometres

which is about a quarter of the region's entire land mass. The Assin District's location makes it the strategic link between Ashanti and Central Regions.

The district is highly forested and about two-thirds of the Kakum forest, from which Kakum National Park was carved, is found in the district. Being within the tropical rain forest zone, the terrain is very conducive for the agricultural industry.

The strategic location of the district between the Central and Ashanti regions and thus being the gateway to both regions makes for easy transportation of goods and people to and from the district and thus facilitates a wider market for farm products.

The location of the two districts in the Central Region that comprised the study area is shown in Figure 2.

Sample design

The sample design explains the process of selecting the communities within the study area where the research was carried out and how respondents were sampled within the communities.

Selection of the study communities

In order to obtain data that is representative of the two districts, various communities were selected from each district to comprise the study communities.

The Agona District has eleven zones while the Assin District has thirteen zones. Five zones from each district, representing 45.4% and 40.8% respectively

were selected from the Agona and Assin districts. These were done using a multi-stage sampling technique. The political division of the districts into East and West for the Agona District and North and South for the Assin District was relied upon at the first stage of the sample design. Two zones were then randomly selected from each division of the districts. The district capital in each district was then added to make five zones for each district. The district capitals were purposively selected because they had the highest concentrations of population as well as economic activities in their respective districts.

At the next stage, two towns or communities were selected from each selected zone. In selecting the communities, the population and service provision criteria were adopted to select the two most important communities in the zone. The result was the selection of the zonal capital and the next town in the service provision criteria hierarchy. The selected communities are shown in Table 1.

Selection of respondents for the primary data

In selecting the household respondents from the selected communities care was taken to select the principal economic actors because they are the potential contributors to the revenue generated to the District Assemblies. These economic actors included traders and property owners within the communities. Local opinion leaders were also sought during the interviews. On the whole, ten respondents were selected from each of the communities. However, in the district capitals, the figure was doubled to twenty to reflect their relative concentration of economic activities in the districts. This yielded a total of two hundred rate payers.

Table 1: Communities selected for the study

District	Division	Zone	Town	Services Available
Agona	West	Nyakrom	Nyakrom	Community Library, Central Bank Agency, Rural Bank, Sec. Schools, Health Post, Post Office, Basic School.
			Nkum	Health Post, Post Office, Basic School
		Bobikuma	Bobikuma	Community Library, Agency of Rural Bank, Secondary School, Health Post, Post Office, Basic School
		Abodom	Abodom	Community Library, Post Office, Basic School
	East	Nsaba	Nsaba	Community Library, Secondary School, Health Post, Post Office, Basic School
			Duakwa	Health Post, Post Office, Basic School
			Kwanyako	Kwanyako
		Asafo	Asafo	Health Post, Post Office, Basic School
		Swedru	Swedru	District Admin. Offices, Community Library, Commercial Banks, Sec. Schools, Hospital, Post Office, Basic School

Table 1 continued

Assin	North	Praso	Praso	Community Library, Rural Bank, Secondary School, Health Post, Post Office, Basic School
			Kushea	Health Post, Post Office, Basic School
		Breku	Breku	Community Library, Sec. School, Health Post, Post Office, Basic School
			Dansame	Local Primary School
	South	Nyankomasi	Nyankomasi	Community Library, Basic. School, Rural Bank, Sec. School
			Bosomadwe	Basic School
		Manso	Manso	Community Library, Sec. School, Health Post, Post Office, Basic School
			Andoe	Health Post, Post Office, Basic School
		Foso	Foso	District Admin. Offices, Community Library, Commercial Banks, Rural Bank, Sec. School, Hospital, Post Office, Basic School.

Source: Field Survey, 1999

The heads of all decentralised departments in the two districts were included in the sample of policy makers. Key informants within the assemblies were also interviewed. These included the District Co-ordinating Director, the District Budget Analyst, the District Planning Officer and the District Finance Officer. A proportionate random sampling technique was then used to select assembly persons from relevant sub-committees identified in each district assembly.

All the revenue collectors in the district assemblies were identified and a systematic random sampling technique used to select twenty five respondents from each district. Thus, a total of fifty revenue collectors from the two districts were interviewed.

Data collection

Various data sources were used for the study. Data were collected from both primary and secondary sources. Primary data were obtained from principal economic actors (traders and property owners), opinion leaders, revenue collectors, and policy makers from the district assemblies. Secondary data included data collected from books, journals and other publications, written reports and studies relevant to the current study and official data from the District Assemblies pertaining to revenues and expenditure, projects and manpower. Other relevant information and official statistics from the Ministry of Local Government were also used.

Instrumentation and data collection techniques

Interviewing was employed as the major technique for the data collection. The use of the interview method helped the researcher gain a thorough appreciation of the problem. Respondents also had the opportunity to sufficiently express themselves or address the issues. The technique also afforded the respondents the chance to understand the questions very well and provide appropriate responses on a range of themes. The themes covered included taxation, revenue generation, forecasting, financial resources and management.

The study sampled and interviewed 200 rate payers, 50 revenue collectors and 50 policy makers from the two districts. The respondents, by category, from the two districts are shown in Table 2.

Table 2: Respondents by category and district

Category	Agona		Assin		Total	
	Frequency	%	Frequency	%	Frequency	%
Rate Payers	96	96.0	89	89.0	185	92.5
Revenue						
Collectors	25	100.0	24	96.0	49	98.0
Policy						
Makers	25	100.0	25	100.0	50	100.0
Total	146	97.3	138	92.0	284	94.6

Source: Field Survey, 1999

The field survey

Due to the extensive nature of the work, it became necessary to recruit assistants to help with the field survey. Eight field assistants, four from each district, were recruited and trained in the conduct of the interview. These were selected on the basis of their educational background and their ability to adequately explain the terms to the respondents in their local languages. Also considered was their experience with social survey. Most of them were university graduates who were on national service assignment in schools within the districts.

A training session was conducted for the selected assistants. During the training, the interview schedules were thoroughly discussed. The aim of the study was discussed and the operational definitions of terms used were explained to them. These were done to ensure that the information gathered had the same interpretation.

The survey took place at different times between March and May 1999 in the two districts because it was necessary for the researcher to be present in the district during the survey to help the assistants whenever the need arose. The assistants were paired and assigned one zone at a time. They completed the interview in one zone before moving on to another.

While the assistants conducted the interview in the selected communities, the researcher conducted the interviews with the policy makers and the revenue collectors within the district. This was to ensure the optimum use of time in the conduct of the fieldwork.

Data processing and analysis

This section explains the preparation of the data for analysis and also explains how the analysis was done.

All returned interview schedules were serially numbered for the purpose of identification and data entry. A coding manual was then prepared for all the open-ended questions from the list of distinct responses to the questions. Fifteen (15) of the returned household interview schedules were rejected because whole sections that were vital to the study had been unanswered. On the whole, instruments completed by one hundred and eighty five (185) rate payers (households), forty-nine (49) revenue collectors and fifty (50) policy makers were accepted and entered.

Analyses undertaken were mainly revenue analysis, expenditure analysis and revenue/expenditure relations analysis for the official data obtained. The primary data was analysed using the Statistical Product and Service Solutions (SPSS) computer package to undertake frequency and cross tabulation analysis. In undertaking the revenue analysis, information was collected on all available sources of tax revenue. The revenue analysis dealt with the locally generated revenue, also called own source revenue in this study, and compared it with the centrally transferred revenue to determine the level of fiscal autonomy of the District Assemblies. The revenue analysis also looked at the performance of the revenue system by comparing estimated revenue with actual revenue to assess quality of estimation and forecasting tools of the District Assemblies. The relative revenue competence of the district assemblies was also assessed by looking at the

prerequisite of staff competence and skills, the extent of tax evasion and the assembly's ability to enforce its tax legislation and punish default.

The expenditure analysis examined the various categories of the expenditure for the Districts Assemblies. The analysis included an expenditure structure analysis. The functional breakdown of recurrent expenditures in the form of final spending on goods and services, capital spending and capital transfers were used.

Revenue - expenditure relationships were also analysed to ascertain by how much local public expenditure exceeds own source revenues which leads to a reliance by local governments upon central transfers thus limiting the financial autonomy of the district assemblies. The impact of more decentralisation on local public resource mobilisation was explored by finding the relationship between the proportion of central government involvement at the local level and the amount of resources mobilised at the local level.

This is important because the nature of transfers could cause local resource mobilisation to either expand or contract in response to the transfer (Bahl et al, 1984). Uphoff, (1988) explains further that all assistance should be provided in ways and on terms that are positive sum - that neither substitute for nor discourage people's contribution.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

Introduction

This chapter is in two parts. The first part examines how revenues accruing to the district assemblies, both locally and transferred from central government, are allocated to generate development at the local level. Revenue and expenditure patterns, as well as the relationships between them are analysed for the two district assemblies to illustrate the case. In the second part, an analysis of the field survey is undertaken. The primary data obtained from the field interviews are analysed and discussed to determine the levels of success achieved by the District Assemblies in financing development at the local level. The levels of success are also explained using the data obtained.

Levels of revenue heads

The District Assemblies, like any others in the country, operate eight main sources of revenue. These are Rates, Lands, Fees / Fines, Licenses, Investments, Rents, Grants and Miscellaneous. For the Agona District, total revenue in 1983 was 65.95 million. This increased over the years to 1.13 billion in 1997. This represents about 1600% increase of revenue in 5 years.

Table 3: Levels of revenues (amount in millions of cedis) - Agona District**Assembly**

Major Rev. Items	Year				
	1993	1994	1995	1996	1997
Rates: Basic	1.25	1.42	1.59	1.88	1.13
Property	3.17	10.26	16.89	28.65	32.24
Lands: Stool	2.70	2.33	4.42	6.98	6.20
Building Permit	-	16.58	12.50	20.58	20.54
Fees/Fines: Market	25.01	36.47	37.45	57.58	58.83
Lorry Park	10.84	4.89	4.61	5.98	10.10
Conveyance	2.18	3.69	3.47	7.52	7.88
Licences:					
Building Permit	1.95	2.46	1.01	2.56	-
Lotto	5.66	3.89	2.55	3.50	3.40
Liquor Licenses	2.49	4.78	4.00	7.01	7.77
Investment: Trade	-	4.66	2.10	3.56	8.42
Rent: Low Cost Houses	-	2.22	1.03	4.26	4.45
Market Stalls	.70	3.02	2.14	3.20	3.18
Grants/Common Fund	12.63	160.32	547.00	732.12	949.88
Miscellaneous	3.00	20.11	-	14.84	14.60
Total	65.95	276.10	640.76	1,003.51	1,128.62

Source: Agona District Assembly (1993–1999)

As illustrated in Table 3, grants became the dominant source of revenue from 1994. While the share of grant increased from 58.1% in 1994 to 84.2% in 1997, the share of other revenue dwindled over the years. It must be pointed out however, that even though the relative shares of other sources of revenue declined with respect to grants, most of these sources recorded positive rates of increase; fees and fines for example, increased by 54.29% and miscellaneous items by over 400%.

The situation of Assin District, as illustrated in Table 4, is not any different. Here, lands constituted the largest revenue item in 1993. Its contribution to total revenue was 45.5%. Even in 1994 when grants increased to 44.6% of total revenue from its share of 3.0% in 1997, revenue from land was still significant at 42.0%. However, this trend changed sharply with land contributing only 17.1% in 1995 and 9.4% in 1994. While this was happening, grants increased its share from 44.6% in 1994 to 81.4% in 1997. Again, it must be noted that even though the relative contribution of land and other sources declined in relation to grants, the rate of increase of these other sources nevertheless continued to increase; collection from lands, for example, increased by over 300% between 1993 and 1997.

Contribution by revenue items

The Local Government Law, Act 462, (1993) gives the District Assemblies the authority to make and levy sufficient rates to provide for that part of the total estimated expenditure to be incurred by the assembly during the period in respect of which the rate is levied (section 94)

Table 4: Levels of revenues (amount in millions of cedis) - Assin District**Assembly**

Major Revenue Items	Year				
	1993	1994	1995	1996	1997
Rates: Basic	1.56	2.56	2.89	2.98	2.24
Property	10.67	15.82	18.65	23.48	24.24
Lands: Stool	34.71	52.61	69.17	148.47	151.86
Building Permit	.92	1.36	1.89	3.22	3.34
Fees/Fines: Market	10.08	12.62	14.62	16.02	16.48
Lorry Park	1.83	3.95	2.58	2.56	2.46
Conveyance	.92	1.26	1.65	1.68	1.76
Licences:					
Lotto	.83	2.38	3.26	4.03	4.12
Liquor Licenses	2.41	6.54	8.95	12.96	13.14
Investment: Trade	2.83	3.21	-	3.89	2.38
Rent: Market Stalls	2.86	2.12	62.45	69.86	68.68
Grants/Common Fund	2.37	85.32	376.76	609.76	1,345.72
Miscellaneous	-	0.88	3.23	2.99	2.04
Total	78.75	191.53	569.65	901.89	1,652.32

Source: Assin District Assembly (1993–1997)

The Assemblies, in line with this law, operate the Basic Rate and Property Rate, which include rate of private and government property. They also operate special rates. The Basic Rate or Poll Tax, first introduced in 1852, is still a local tax levied on "all persons of or above the age of eighteen years who reside in the area" (Section 94:4). The property rate is levied on immovable property at a specified rate per cedi on the rateable value of the said property. In both the Agona and Assin Districts, these two rates constitute all or almost all the rates with Property Rate accounting for 99.5% and 95.1% in 1993 and 1997 respectively.

For licenses, even though the assemblies operate as many as forty items, the major items such as lotto operation, liquor license and hawkers' license account for as much as 50% of all collection from licenses. The other items under license numbering over thirty together contribute less than 50% of total collection from licenses in both districts. The situation is the same for other revenue heads. Many issues arise from this situation. It is observed that in their desire to realise their revenue dreams, the assemblies have introduced many tax instruments to cover almost all-economic actors in the system.

This situation confirms observations made by Bahl and Linn, (1983). Their studies in Asia and Latin America found out that the major source, which is almost universally applied for raising local revenues, is the property tax on buildings and land. This accounts for more than two thirds of local tax revenue in Philippines and is important in China, India, Korea, and Pakistan The other

category of all other taxes which they called "a motley collection of nuisance collection" were observed to be often costly to collect and comply with.

Revenue collection performance

Performance measurement implies degree of precision and a lack of ambiguity. The examination of the revenue collection performance therefore focused on the extent to which the assembly is able to accurately predict the revenue. This is done by comparing the annual estimates in the budget with the actual revenues as presented in the trial balances of the districts for the various years. These are presented in Table 5.

The table shows that for the Agona District, actual revenues exceeded estimated revenues throughout the period with the exception of 1993 when actual revenue fell short of estimated revenue by 26.8% and also in 1995 when there was a marginal shortfall of the actual revenue from the estimated revenue. A number of reasons could account for this situation. One important factor is that these figures include the Common Fund. A look at the Common Fund reveals that the Agona District had always received in excess of what was estimated. Own source revenues have actually been declining. This could also mean a poor database for revenue estimation thus resulting in underestimation. It could also be a deliberate budgeting strategy to cover up poor revenue performance.

Table 5: Revenue collection performance - Agona and Assin District Assemblies

District Assembly	Year	Estimated (¢)	Actual (¢)	Variation (¢)	Variation (%.)
Agona	1993	90,140,000	65,947,068	24,192,932	26.8
	1994	83,375,000	276,098,617	-192,723,617	-231.2
	1995	676,434,460	640,761,079	35,673,384	5.3
	1996	847,474,532	1,003,505,973	-156,031,441	-18.1
	1997	-	1,128,621,541	-1,131,687,784	-
Assin	1993	108,314,000	78,748,810	29,565,190	27.3
	1994	387,345,000	191,529,500	195,185,500	50.6
	1995	627,850,360	569,645,976	58,204,384	9.3
	1996	1,588,057,830	901,894,378	686,163,452	43.2
	1997	1,637,340,000	1,652,315,521	14,975,521	0.9

Note: Positive (+) variation means actual revenue is less than estimated revenue.

Negative (-) variation means actual revenue is greater than estimated revenue.

Source: Agona and Assin District Assemblies (1993 1997)

The Assin District, on the other hand, had positive values throughout the period except 1997 when it recorded a negative of 1.1%. This indicates that revenues for the period lagged behind the estimated figures. Again, much could be attributed to the Common Fund as it is observed that for much of the period, the District did not receive the entire total amount estimated for the Common Fund.

Implication for development

The information from the revenue collection performance indicates both positive and negative variations of actual revenue from the estimated revenue. This is a very disturbing situation because the estimation method used is unable to properly predict the size of revenue. This could create very serious planning problems for the District Assemblies. In one case, revenues are being over-estimated. The estimation methods used are thus ineffective since they fail to yield non-zero cumulative errors. Another likely implication of the revenue situation is the limited availability of locally mobilised funds to enable the District Assemblies to undertake development.

Expenditure categories and patterns

The problem with local development financing does not lie only with the scarcity of financial resources but also with the management of the scarce resources that are mobilised. It is therefore important to examine the fund-management practices of the District Assemblies. To do this it would be

necessary to examine the expenditure categories, levels and their trends as well as the recurrent expenditure and capital (development) expenditure.

An examination of the Trial Balance of the two districts reveals that they operate six major expenditure heads. These are personal emoluments, travelling and transport, general expenditure, maintenance / repairs/renewals, miscellaneous / other current expenditure and capital / development expenditure. The Capital/Development expenditure is however split into Investment/Common Fund Projects and Capital Expenditure. Each head is then broken into subheads to show specific items and their respective allocations. These are illustrated in Tables 6 and 7 for the two districts

For the Agona District the largest expenditure items before the introduction of the Common Fund in 1994 were Personal Emoluments and Transport and Travelling expenses. These contributed 16.6% and 31.2% respectively in 1993. Expenditure on transport and travelling however began to decline in relation to total expenditure in 1994. A look at the actual figures however, reveals an increase in the absolute terms from about 23.1 Million Cedis to about 38.5 Million Cedis - an increase of 66% within one year.

Personal emoluments however, continued to increase both in absolute and relative terms. Its share as a percentage of total expenditure increased from 20.6% in 1994 and by 1997, this was 24.7% of total expenditure. Capital and development expenditure was 9.6% of total expenditure but began to grow from 1994 after the introduction of the District Assembly Common Fund.

Table 6: Levels of expenditure heads (millions of cedis) - Agona and Assin District Assemblies

District		Years				
Assembly	Expenditure Head	1993	1994	1995	1996	1997
Agona	Personal Emolument	12.3	53.6	13.9	17.9	24.7
	Travelling & Transport	23.1	14.6	5.2	5.9	3.6
	General Expenditure	6.9	7.6	3.0	3.7	3.3
	Repairs/Maintenance	8.6	3.7	2.1	1.7	2.7
	Current Expenditure	16.0	10.0	9.6	6.7	4.9
	Investment/Common Fund	-	38.7	64.0	57.1	60.6
	Capital Expenditure	11.9	4.8	2.2	7.0	0.1
Total		74.1	260.3	699.4	1,006.1	1,131.9
Assin	Personal Emolument	17.3	34.8	8.3	15.7	14.0
	Travelling & Transport	18.2	10.7	5.4	8.0	4.4
	General Expenditure	24.9	7.7	3.6	5.6	3.2
	Repairs/Maintenance	1.7	1.4	0.7	0.4	0.4

Table 6 continued

Current Expenditure	3.7	9.8	4.7	7.9	4.9
Investment/Common Fund	3.8	0.0	64.7	53.5	37.3
Capital Expenditure	30.4	35.7	12.5	9.0	35.8
Total	100.0	100.0	100.0	100.0	100.0

Source: Agona and Assin District Assemblies (1993 – 1997)

Table 7: Relative share of expenditure heads (percentages) - Agona and Assin District Assemblies

District		Years				
Assembly	Expenditure Head	1993	1994	1995	1996	1997
Agona	Personal Emolument	16.6	20.6	13.9	17.9	24.7
	Travelling & Transport	31.2	14.8	5.2	5.9	3.6
	General Expenditure	9.3	7.6	3.0	3.7	3.3
	Repairs/Maintenance	11.6	3.7	2.1	1.7	2.7
	Current Expenditure	21.6	10.0	9.6	6.7	4.9

Table 7 continued

	Investment/Common Fund	0.0	38.7	64.0	57.1	60.6
	Capital Expenditure	9.6	4.8	2.2	7.0	0.1
Total		100.0	100.0	100.0	100.0	100.0
Assin	Personal Emolument	17.3	34.8	8.3	15.7	14.0
	Travelling & Transport	18.2	10.7	5.4	8.0	4.4
	General Expenditure	24.9	7.7	3.6	5.6	3.2
	Repairs/Maintenance	1.7	1.4	0.7	0.4	0.4
	Current Expenditure	3.7	9.8	4.7	7.9	4.9
	Investment/Common	3.8	0.0	64.7	53.5	37.3
	Fund					
	Capital Expenditure	30.4	35.7	12.5	9.0	35.8
Total		100.0	100.0	100.0	100.0	100.0

Source: Agona and Assin District Assemblies (1993 – 1997)

The Assin District has an almost similar situation. In 1993, general expenditure, transport and travelling expenses and personal emoluments were the three largest expenditure items. Their shares of total expenditure for the 1993 fiscal year were 24.9%, 18.2% and 17.3% respectively. This trend however changed in 1994 with personal emoluments taking 34.8% of total expenditure. The share of general expenditure fell from its 1993 level of 24.9% to 7.7% of total expenditure. One feature of the expenditure level of the Assin District that makes it quite different from that of Agona District is the size of its capital/development expenditure. In 1993, before the introduction of the Common Fund, this expenditure item was the largest, constituting 30.4% of total expenditure. This trend continued and by 1997, together with the capital expenditure made from the common fund, its total development expenditure was 73.1% of total expenditure. This analysis shows that the introduction of the District Assemblies Common Fund has improved the capital/development efforts of the District Assemblies.

The expenditure of the District Assemblies can be categorised into two basic sub-sectors, namely the Recurrent Component and the Capital Component. The Recurrent sub-sector covers those expenditures that are identified with consumption in the current fiscal year. It is further disaggregated into:

- personnel expenses
- operational expenses; and
- maintenance expenditure.

The Capital expenditure is defined to include all expenditures made with the view to creating assets with extended utility life span. This is disaggregated further into:

- replacement ; and
- new asset

The relative share of the recurrent and capital expenditures for the two districts during the period under review is presented in Table 8. It shows that the recurrent expenditure of the Agona District was 90.3% of total expenditure as against a Capital Expenditure of only 9.7% at the beginning of the period in 1993. It must be noted that this was the period before the introduction of the Common Fund. In 1994, the recurrent expenditure fell to 56.6% and further to 34.0% in 1995. This must be seen in relative terms due to the huge injection of inflows from the Common Fund. This same phenomenon also resulted in the increase of the Capital Expenditure from 9.7% in 1993 to 43.4% in 1994 and 66.0% in 1995.

Expenditure on operations were quite high throughout the period but Maintenance Expenditure was very low except in the period before the introduction of the Common Fund in 1993 where it was 11.6%. The low share of Maintenance Expenditure reflects the low priority generally placed on maintenance services in the country.

The capital expenditure shows that expenditure on new assets always exceeds expenditure on replacements. From 1994, expenditures on new assets have been financed exclusively from the Common Fund and have therefore been increasing regularly.

**Table 8: Relative share of recurrent and capital expenditure (percentages) -
Agona and Assin District Assemblies**

District		Years				
Assembly	Expenditure	1993	1994	1995	1996	1997
Agona	Recurrent	90.3	56.6	34.0	36.0	39.3
	Personnel	16.6	20.6	14.0	17.9	24.7
	Operations	62.1	32.3	17.8	16.4	11.9
	Maintenance	11.6	3.7	2.2	1.7	2.7
	Capital	9.7	43.4	66.0	64.0	60.7
	Replacement	0.1	4.8	2.0	6.9	0.1
	New Assets	9.6	38.6	64.0	57.1	60.1
	Total	100.0	100.0	100.0	100.0	100.0
Assin	Recurrent	52.8	63.2	22.8	37.6	27.0
	Personnel	17.3	34.3	8.3	15.7	14.0
	Operations	33.8	27.5	13.8	21.5	12.6
	Maintenance	1.7	1.4	0.7	0.4	0.4
	Capital	47.2	36.8	77.2	62.4	73.0
	Replacement	13.0	1.1	1.2	0.0	0.0
	New Assets	34.2	35.7	76.0	62.4	73.0
	Total	100.0	100.0	100.0	100.0	100.0

Source: Agona and Assin District Assemblies (1993–1997)

Expenditure on new assets increase from 38.6% to 60.1% of total expenditure between 1994 and 1997 resulting in an improvement in the stock of public assets in the district. This is an improvement in the situation before the introduction of the Common Fund where there was a general decline in the stock of public assets.

The analysis for the Assin District presents a slightly different situation especially in the period before the introduction of the Common Fund. The Assin District had a Capital Expenditure of 47.2% and a Recurrent Expenditure of 52.8%. A Replacement Expenditure of 13.0% is also noteworthy. It is surprising, therefore, to find that this Replacement Expenditure dropped dramatically to 1.1% in 1994 and to 0 by 1997. Total Capital Expenditure is somewhat erratic; rising in one year and falling in the following year.

By way of summary, it is important to note that the expenditure structure shows a growth in the Capital Expenditure Component, especially, in the area of new assets. This is so because the Common Fund received by the districts are entirely expended on capital items. It is clear therefore that without the Common Fund, very little resources would have been directed at increasing the stock of assets which are directly related to development projects.

Revenue - Expenditure relationships and implications for development

District Assemblies were set up within the decentralised framework to provide local services, infrastructure and other facilities because the Central Government was far too remote and might not be able to appreciate these local

needs. If District Assemblies are going to serve their purpose, they must be financially viable. Its revenue, especially internally generated sources of funds must exceed its expenditure outlays on an annual basis. In this case, the revenue - expenditure ratio should be more than one. In this section, the revenue - expenditure relationships in the Districts are examined to determine their financial ability.

There are various ways of looking at the relationship between revenues and expenditures to a local government. One way is to look at total revenue accruing to the local government as a ratio or percentage of the total expenditure of that local government. The total revenue relationship to total expenditure of the study districts are examined and presented in Table 9. The table illustrates that the two districts had slightly different cases. For the Agona District, with the exception of 1994 when total revenue exceeded total expenditure, it operated a deficit budget from 1993 to 1997. In 1993, total revenue was 0.89 or 89% of the total expenditure. It is clear that the rest of the expenditure was financed by a deficit. Even though the revenues and expenditures were very close - between 99% and 92% of the expenditure being financed by current revenue, much of this revenue were transferred from the Central Government either through the District Assembly Common Fund, Ceded Revenue or even payment of 50% of salaries of local government staff.

Table 9: Revenue-Expenditure relationship - Agona and Assin District Assemblies (1993-1997)

District Assembly	Year	Expenditure (¢)	Revenue (¢)	Gap (¢)	Ratio
Agona	1993	74,114,112.70	65,947,068.62	-8,167,044.08	0.89
	1994	260,579,849.69	276,098,617.84	15,518,768.15	1.06
	1995	699,347,040.42	640,761,079.97	-58,585,960.45	0.92
	1996	1,006,026,266.23	1,003,505,973.96	-2,520,292.27	0.99
	1997	1,131,689,781.14	1,128,621,541.36	-3,068,238.78	0.99
Assin	1993	81,161,630.97	78,748,810.43	-2,412,820.54	0.97
	1994	172,009,648.68	191,529,479.54	19,569,830.86	1.11
	1995	582,606,164.68	569,645,976.82	-12,960,188.09	0.98
	1996	942,540,069.97	901,894,377.76	-40,645,692.19	0.95
	1997	1,618,959,151.53	1,652,315,521.29	33,356,369.76	1.02

Note: Surplus = + Deficit = - Ratio is the Revenue - Expenditure ratio

Source: Agona and Assin District Assemblies (1993 – 1997)

The Assin District kept an almost close or hard budget within the period under review. Even though there were deficit budgets in some years, the average revenue and expenditure ratio was almost 1 for the five-year period. A look at the own source revenue reveals that from 1994, large parts of this revenue were transferred from the Central Government.

The relationship between own source revenue and total expenditure is examined to ascertain the percentage of total expenditure financed from internally

generated revenue. Own source revenue as a percentage of total expenditure measures how financially autonomous the various District Assemblies are. This is examined and illustrated in Table 10.

Table 10: Own Source Revenue (OSR) as a percentage of Total Expenditure (TE) - Agona and Assin District Assemblies

District Assembly	Year	Own Source Revenue (OSR) (¢)	Total Expenditure (TE) (¢)	%
Agona	1993	65,170,668.62	74,114,112.70	87.9
	1994	115,782,311.72	260,579,849.69	44.4
	1995	93,760,039.99	966,347,040.42	9.7
	1996	271,381,896.12	1,006,026,266.23	26.9
	1997	178,744,413.40	1,131,689,781.14	15.8
Assin	1993	76,380,860.43	81,161,630.97	94.1
	1994	106,217,709.33	172,009,648.68	61.8
	1995	192,888,496.32	582,606,164.91	33.1
	1996	292,132,187.26	942,540,069.95	30.9
	1997	306,696,951.08	1,618,959,151.53	18.9

Source: Agona and Assin District Assemblies (1993-1997)

The results from the two districts show a common trend. In 1993, before the introduction of the common fund, the Agona District financed as much as 87.9% of total expenditure from own source revenue. However, with the

introduction of the common fund in 1994, this percentage dropped to 9.7% in 1995. An attempt was made in 1996 to correct this but it fell back to 15.8% in 1997. The Assin District financed as much as 94.1% of total expenditure from local sources in 1993 but this started declining in 1994 when the common fund was introduced. By 1997, it was financing only 18.9% of its expenditure from local sources.

Explaining the poor revenue state of the District Assemblies, Zanu (1995) concludes that under the current decentralisation framework, the district assemblies have been assigned a developmental function that appears too extensive. They have, therefore been made to shoulder a substantial expenditure function arising from this extensive developmental function. This is a very dangerous situation as it is very likely to cause service levels to fall (Bird and Wallich, 1993), a situation which will in turn affect the willingness of the local residents to contribute to the development effort and further worsen the revenue situation (Kokor, 1991). According to Kokor (1991), the amount of revenue raised locally results from the interplay of two local level factors namely:

- the willingness of local residents to give a specific proportion of their resources as taxes, levies or rates which is expressed through the rate of local tax payment compliance or avoidance
- the level of local revenue mobilisation and collection effort which is influenced by such factors as revenue generation strategies adopted and level of efficiency of revenue collection and accounting which ensures the flow of all funds collected into the local authority treasury.

The revenue raising ability of the Districts Assemblies is also investigated by examining the relationship between own source revenue and total revenue. The situation in the study districts is presented in Table 11.

Table 11: Own Source Revenue (OSR) as a percentage of Total Revenue (TR) - Agona and Assin District Assemblies

District	Year	Own Source Rev.	Total Rev. (TR)	%
Assembly		(OSR) (¢)	(¢)	
Agona	1993	65,170,668.62	65,947,068.62	98.8
	1994	115,782,311.72	276,098,617.84	41.9
	1995	93,760,038.99	640,761,079.97	14.6
	1996	271,381,896.12	1,003,505,973.96	27.0
	1997	178,744,413.40	1,128,621,542.36	15.8
Assin	1993	76,380,860.43	78,748,810.43	96.9
	1994	106,217,709.33	191,579,479.54	55.4
	1995	192,888,496.32	569,645,976.82	33.9
	1996	292,132,187.26	901,894,377.76	32.4
	1997	306,596,951.08	1,652,315,521.29	18.6

Source: Agona and Assin District Assemblies (1993-1997)

From the table it is seen that before the introduction of the Common Fund the districts raised almost all of its revenue from own sources. This was 98.8% in the Agona District and 96.9% in the Assin District. However, with the introduction of the common fund, own source revenue as a percentage of total

revenue dropped to 41.9% in 1994 in the Agona District. In 1997 own source revenue was 15.8% of total revenue. The Assin District also followed the same pattern with own source revenue as a percentage of total revenue declining from 55.4% in 1994 to 18.6% in 1997.

Financial capability of the assemblies

Financial capability is a measure of the ability of the assembly to finance its expenditures from own source revenues. It is measured by comparing the growth rate of the own source revenue with the growth rate of expenditure of the district assembly. The ratio of the two growth rates is the financial capability index (Kokor 1991). The local income used in this calculation is the own source revenue accruing to the district at the end of the year.

Using the values of own source revenues and total expenditure, the financial capability index obtained were 0.52 and 0.37 for the Agona and Assin Districts respectively. This indicates that annual growth rate of expenditure is faster than that of revenue growth. For the Agona District, revenue growth rate is 52% of expenditure growth while the value for the Assin District is 37%. The indications are that of a relatively weak financial capability for the District Assemblies, a situation that is likely to create a dependence on central government for the provision of local level projects and thus weaken autonomy.

Performance of the financing system

Attention is now turned towards analysing the data obtained from the field to determine how the financing system, as obtained from the official statistics and the records from the Assemblies actually work out with the communities where the system is expected to have its impact.

Characteristics of the respondents of field survey

Not much background information was sought from the rate payers. This is due to the fact that care had already been taken to sample only the major economic actors in the communities. Other opinion leaders in the communities were also interviewed. However, for the policy makers and revenue collectors, background information such as educational status and length of service were sought. This is because the importance of qualities of personnel in the effectiveness of the District Assembly cannot be over emphasized. In Ghana, local government or the District Assemblies have the responsibility to provide services in the local areas. The success of these undertakings depends on the quality of personnel and on the efficiency and effectiveness of that administration and management.

The functions of the respondents from the District Assembly are examined and presented in Table 12.

The sample was made up of 31 administrative staff and 18 assembly members. There were 16 administrative staff from the Agona District Assembly and 15 from the Assin District Assembly. The assembly members from each District Assembly were 9.

Table 12: Functions of respondents from the District Assembly

District	Function of Respondents	
	Administrative	Assembly Members
Agona	16	9
Assin	15	9
Total	31	18

Source: Field Survey, 1999

The administrative staff included the heads of the decentralized departments in the district, the District Co-ordinating Directors, Planning Officers, Finance Officers and Budget Officers. The assembly members were sampled from the various sub-committees at the assembly.

In Table 13 the level of education of the policy makers was ascertained to determine the quality of personnel available for the work at the assembly. The table shows the level of formal educational attainment of respondents from District Assemblies. The Agona District had no person without any education while the Assin District had one such person. In both districts the modal class was those with tertiary education with 40% and 32% respectively. It was found out that almost all those with tertiary education were the key informants and heads of decentralized departments all of whom had only been posted to the respective districts recently.

Table 13: Level of formal education of respondents from District Assemblies

Educational Attainment	Agona		Assin	
	frequency	%	frequency	%
Nil	-	0	1	4.0
Primary	1	4.0	6	24.0
Middle/JSS	5	20.0	7	28.0
Secondary	9	36.0	3	12.0
Tertiary	10	40.0	8	32.0
Total	25	100.0	24	100.0

Source: Field Survey, 1999

On a cumulative basis, the percentage showed that the Agona District had more highly qualified personnel than the Assin District. While the 50th percentile mark fell in the second cycle category in the Agona District, it did so in the middle/JSS category in the Assin District.

The duration or length of service at the assembly by the administrative staff was also examined. This is presented in the Table 14. The table shows that about 70 percent of the administrative staff have either been there for just under a year or between 1 – 6 years. These were mainly the staff that had been posted to boost up the District Assemblies and they were mostly those with tertiary education. There was only 1 and 2 administrative staff in the Agona and Assin District Assembly respectively who had been there for over 10 years.

Table 14: Duration of service of administrative staff at assemblies

Duration of Service (years)	District			Percent
	Agona	Assin	Total	
Under 1 year	4	5	9	29.0
1 – 6	7	6	13	41.9
7 – 10	4	2	6	19.4
Over 10	1	2	3	9.7
Total	16	15	31	100.0

Source: Field Survey, 1999

The study also sampled 49 revenue collectors from the two districts, 25 from the Agona District and 24 from the Assin District. These were made up of salaried collectors, commissioned collectors and revenue supervisors who are also sometimes called Revenue Co-ordinators. The various categories of the revenue collectors are presented in Table 15 which shows that there were more salaried revenue collectors in both districts than the other categories of revenue collectors. Agona District had 14 (56%) and the Assin District had 15 salaried collectors (62.5%). The table shows more salaried collectors in both districts than the other categories. Agona District had 14 (56%) and the Assin District had 15 salaried collectors (62.5%). Each district had only two supervisors or co-ordinators. This number is inadequate to enable the monitoring of all the revenue collectors in their respective districts. This could account for some of the malpractices of the collectors which contribute to revenue shortages in the district for development authorities.

Table 15: Categories of revenue collectors

Category	Agona		Assin		Total	
	No.	%	No.	%	No.	%
Salaried Collectors	14	56.0	15	62.5	29	59.2
Commissioned Collectors	9	36.0	7	28.2	16	32.6
Co-ordinators	2	8.0	2	8.3	4	8.2
Total	25	100.0	24	100.0	49	100.0

Source: Field Survey, 1999

The educational attainment of the revenue collectors is also examined to determine their level of qualification. The examination showed that in the Agona district 72% of the collectors had middle/JSS qualification and 16% had second cycle education. These were 58.3% and 8.4% respectively in the Assin district. This is illustrated in Table 16 below.

Table 16: Educational background of revenue collectors

Educational Attainment	Agona District		Assin District	
	Frequency	%	Frequency	%
Primary	3	12.0	8	33.3
Middle/JSS	18	72.0	14	58.3
Second Cycle	4	16.0	2	8.4
Tertiary	-	-	-	-
Total	25	100.0	24	100.0

Source: Field Survey, 1999

Performance of the Assemblies

The performance of a local government is influenced by the access of the various communities to projects that would enhance their economic development and increase their standard of living. This therefore required a careful study of the development projects undertaken by the District Assemblies and the areas of concentration in terms of expenditure patterns. In addition, this section sought the views of the respondents especially the rate payers, on the performance of their assemblies and discussed their views on revenue adequacy and use of tax revenue to promote the ideals of their respective communities during the period under investigation. This was to enable the researcher ascertain the effectiveness of the financing system at successfully financing development.

This section presents the responses given by the rate payers on a number of issues relating to the revenues generated by the District Assemblies and the use of such revenues at successfully (or otherwise) financing development at the local level. Such question as revenue adequacy and the preparedness of respondents to pay additional taxes were asked.

Respondents were asked whether they thought the assembly was generating adequate revenue to be able to provide their needs. The results are shown in the Table 17. This show that 101 respondents (54.6%) thought the assemblies generates adequate revenue to help finance the development budget of their respective assemblies while 72 or (38.9%) thought the assemblies were not generating adequate revenue and that it would be difficult for the assemblies to

carry out their mandates with the revenue available. The remaining 12 respondents did not provide any response to the question.

Table 17: Rate payers' views on revenue adequacy

Responses	Agona Dist. Assembly		Assin Dist. Assembly		Total	
	No.	%	No.	%	Freq	%
No Response	4	4.2	8	9.0	12	6.5
Yes	68	70.8	33	37.1	101	54.6
No	24	25.0	48	53.9	72	38.9
Total	96	100.0	89	100.0	185	100.0

Source: Field Survey, 1999

Consequently, respondents were asked to suggest ways of improving revenue generation in the District Assemblies. The responses as shown in Table 18 indicate that the one most important factor which, according to the respondents can help generate additional revenue is the creation of more jobs at the local level. The belief is that if the people are in gainful employment then they can afford to pay additional taxes to improve the revenue situation in the district.

This view point is linked to the view that the local economy must be improved. About 47% percent of the respondents share these two viewpoints. An improvement in the local economy will result in increased level of economic activities which in itself can help generate more employment.

Another view expressed by the respondents was that there should be increased involvement of the local people in the whole project cycle since

participation was likely to generate transparency and a clearer understanding of the dynamics involved in financing development at the local level. This confirms Diaw (1994) who stresses that the only way to get local communities to take active interest and participate in local development is to make them feel that their opinion is important in the design, planning and implementation of the development project. The local people are usually reluctant to pay their basic rate and to undertake self help projects when their views are not considered in the development process.

These views reinforce what was discussed in the literature where effective local development finance is linked to how responsive the development agents are to the constituents and beneficiaries of particular development projects. The failures of local governments in effectively financing their development agenda have often been due to their failure to consult the local people. This has often resulted in the failure of development projects and the disillusionment of affected residents and service users. When the local people are closely involved in the decision making process, they feel that the council is working with them to promote development in their area. Residents are then likely to be cooperative in these circumstances and development projects are likely to be successful.

Other view expressed by respondents included that prompt and appropriate prosecution of defaulters can serve as a deterrent and help increase the revenue situation in the districts and that the assemblies should also explore other means of raising revenue.

Table 18: Suggestions to improve revenue generation

Responses	Agona District		Assin District		Total	
	Assembly		Assembly			
	No	%	No	%	No.	%
Create more jobs for the people	20	20.8	28	31.4	48	25.9
Improve economic activities at the local level	18	18.7	21	23.6	39	21.1
Public education on taxation	17	17.7	11	12.3	28	15.1
Involvement of the local people in projects to help promote transparency	9	9.5	6	6.7	15	8.1
Improve the collection system	10	10.4	10	11.3	20	10.8
Explore other non-traditional tax sources	7	7.3	3	3.4	10	5.4
Prosecution of defaulters promptly	15	15.6	10	11.3	25	13.5
Total	96	100.0	89	100.0	185	100.0

Source: Field Survey, 1999

The study went on further to find out the level of involvement or the trend of understanding of the rate payers in the revenue system. Respondents were therefore asked about their knowledge of the use of the revenue that accrues to their respective districts and presented in Table 19.

Table 19: Awareness of the use of tax revenue

Response	Agona District		Assin District		Total	
	Assembly		Assembly			
	No.	%	No.	%	No.	%
Yes	15	8.1	10	5.4	25	13.5
No	81	43.8	67	36.2	148	80.0
No response	-	0	12	6.5	12	6.5
Total	96	51.9	89	48.1	185	100.0

Source: Field Survey, 1999

On the whole, 25 respondents were aware of the use of taxes while 148 were not aware of how taxes were spent. In the Agona district 84.4 % of the respondents did not know how taxes were spent while only 15 % were aware. These figures were 11.2% and 75.3% respectively for the Assin district. This showed the poor level of awareness or understanding the people in the districts have as far as financial matters were concerned.

When further asked if they were satisfied with the way their taxes were used, 21 respondents or 84 % of those who were aware of how taxes were spent were not satisfied with how those taxes were spent. Only 16 % said they were satisfied with the way their taxes were spent. When asked to explain why they were not satisfied with the way tax revenue was spent, 94% of the

respondents complained that the procedures were not transparent. This situation is not healthy and is unlikely to elicit compliance from the tax paying public.

Table 20: Preparedness of respondents to pay additional taxes

Response	Agona District		Assin District		Total	
	Assembly		Assembly			
	No.	%	No.	%	No.	%
Yes	69	37.3	63	34.0	132	71.3
No	27	14.6	24	13.0	51	27.6
No response	-	-	2	1.1	2	1.1
Total	96	51.9	89	48.1	185	100.0

Source: Field Survey, 1999

Respondents were further asked whether they would be prepared to pay additional taxes to help generate more revenue since the assemblies complained of inadequate revenue. The result shows that 71.3 % or 132 respondents were prepared to pay additional taxes (Table 20) but that they would only do so under certain conditions.

The respondents who were not prepared to pay additional taxes gave the reason that the taxes they pay were not being used properly and they were not seeing any visible benefits of any development in their respective communities and that the tax burden was already too high.(Table 21)

Those who were prepared to pay additional taxes were also asked the conditions under which they were prepared to pay additional taxes. Their responses are presented in Table 22.

Table 21: Responses for not being prepared to pay additional taxes

Response	Agona District Assembly		Assin District Assembly		Total	
	No.	%	No.	%	No.	%
Taxes are not used properly	11	21.6	9	17.6	20	39.2
No visible benefits in community	7	13.7	7	13.8	14	27.5
Tax burden already too high	5	9.8	6	11.8	11	21.6
Unemployment	4	7.8	2	3.9	6	11.7
Total	27	52.9	24	47.1	15	100.0

Source: Field Survey, 1999

The responses given indicate that the people were willing to help generate additional revenue but they would only do so if they were assured that there would be transparency and accountability in the use of resources at the local level.

These responses suggest that if district budgeting and financial affairs are opened to public scrutiny and communities are given a greater voice in ratifying decisions about how revenues are raised and spent, there may be

more tax compliance from rate payers. These conditions are true for both the Agona and Assin Districts.

Table 22: Conditions under which respondents were prepared to pay additional taxes

Response	Agona District Assembly		Assin District Assembly		Total	
	No.	%	No.	%	No.	%
If only taxes collected are used for its purposes	23	17.4	26	19.7	49	37.1
If taxes collected are accounted for Improvement in standard of living	11	8.4	8	6.0	19	14.4
If the people are consulted in project selection and implementation	12	9.0	11	8.4	23	17.4
If we see direct benefits from taxes paid	16	12.2	10	7.5	26	19.7
Others	5	3.8	7	5.3	12	9.1
Total	2	1.5	1	0.8	3	2.3
	69	52.3	63	47.7	132	100.0

Source: Field Survey, 1999

Resource allocation and community prioritisation

An important dimension of the changing role of government is to make local governments shoulder greater responsibilities in the provision of public services. Fiscal decentralisation can contribute to more efficient provision of local public services by allowing a better matching of expenditure with local priorities and preferences. Increased local fiscal autonomy could also be instrumental in mobilising more revenue from local services and thus

contribute to improving the country's overall fiscal position (Shah, 1991). This is built on the proposition that individual preferences vary by locality and that information constraints inhibit the effective operation of central authorities in providing local public services (Smith, 1982). It has been suggested that the most efficient allocation of public resources is attained if such services are provided and paid for by governments responsible to those most directly affected (Tiebout, 1957).

The discussion took a look at how expenditures were matched with local priorities and how the rate payers and policy makers viewed measures to improve rate levels and to ascertain whether the provision of local services by the District Assemblies matched the expectations of the local populace. It also examined whether policy makers and rate payers had a general agreement on measures to help increase mobilisation of local resources. The sectors that would be used for this discussion would include education and health since they constitute two sectors that are most relevant to human development.

Local governments have been found to act more in accordance with the needs and priorities of local communities than would higher authorities. This assertion gains empirical support from such areas as implementation and maintenance where local involvement has been found to result in more appropriate and better utilisation of local public services. Levels of utilisation have a significant impact upon the cost per unit of service, particularly in the long term. In the health sector, for example, the active and appropriate use and co-operation, based upon comprehending acceptance by the patient and community, is important if the service is to be patronised.

It is, therefore, important to examine the priorities of the local communities in the use of resources within the decentralised framework in order to be able to access the reaction of the public to revenue policies in the district. The priorities of the communities are then compared with the priorities of the local policy makers as expressed in the use of resources from the budget outlays to specific activities.

Decentralisation has demonstrated the potential to lead to a greater emphasis upon areas of priority for human development (HDR, 1991). Following the Human Development Report of 1991, human development priority is defined to encompass those expenditures which contribute most to human development. Basic education, primary health care and family planning are among the major social sectors that fall within the ambit of human development priority areas.

However, the attempt to assess the relative priorities of local government is problematic since local governments in most areas cannot be regarded as autonomous. The vertical fiscal imbalances and a lack of financial autonomy which characterises local governments entail a lack of local competence to determine local expenditure allocations. Central grants may be directly tied or subject to guidelines which may not allow local government expenditure to coincide with local priorities. These priorities are most likely to coincide only when the system is characterised by a significant degree of participation in local government. Following from the structure of local expenditures discussed earlier, the local priorities as revealed by the structure are discussed below. Six major expenditure areas were identified. These are:

- Public administration

- Revenue administration
- Public health and sanitation
- Basic education
- Civil works
- Economic activities

The percentage allocation to each of these areas is presented in Table 23.

Table 23: Percentage allocation of expenditure

Expenditure item	% allocation	Ranks
Revenue administration	14.9	3
Public health and sanitation	16.3	4
Basic education	38.1	1
Civil works	7.4	5
Economic activities	4.8	6
Others	0.3	7
Total	100.0	26

Source: Agona and Assin District Assemblies (1993 –1997)

Respondents interviewed from the study communities were asked to rank these expenditure areas in order of priority, with 1 as the highest rank in order of priority. The ranking by the communities is compared with that of the policy makers as revealed in the budget outlays discussed in Table 24.

The table shows that differences exist between the community prioritisation and the priorities of the policy makers. The communities and the

policy makers see the most appropriate way to utilise the assembly's resources differently.

Table 24: Rankings of expenditure prioritisation

Expenditure Activities	Ranking	
	Community Prioritisation	Budget Outlay Prioritisation
Public administration	6	2
Revenue administration	4	3
Public health and sanitation	1	4
Basic education	2	1
Civil works	3	5
Economic activities	5	6

Source: Field Survey, 1999

While the policy makers give public administration a high priority, for example, the communities give it a very low priority. It is not surprising therefore, that local residents are unwilling to pay any extra taxes. They think the rates are too high and that revenue will be "wasted" on public administration.

Local taxpayers pay taxes expecting improved services and projects in return. However, given the situation where community expectation and budget outlays do not coincide, the communities have often had to rely on themselves in providing some community projects such as markets, and clinics. This involves substantial additional financial contribution from local residents. This direct action by local communities to provide crucial services needed for their

livelihood affects their willingness to pay taxes and levies to their local authorities. The general feeling is that the people would be better off without paying the levies directly to a local government that is unable to provide needed public goods and services to them. Lockheed (1990) for example, argues that even though it might be an attractive proposition for central governments facing serious fiscal constraints to cut overt costs of social services by allowing local communities to provide these services through self help and participation, this usually imposes severe additional burden on poor families in times of economic stress. It must also be emphasised that any self help programme undertaken for reasons of neglect is a wrong application of the idea as it results in the development of resistance to further taxation and anti government sentiments within the affected population (Kessey, 1995).

Rate Level Determination

One important task that faces District Assemblies is the determination of rates which are equitable and communally acceptable. Some factors that ought to influence the decision on rates were investigated. These factors include the local business atmosphere, reactions of the rate payers to previous rate policies, the assembly's ability to deliver expected services, the frequency of increasing the rate levels as well as the level of household income. The general picture emerging from the policy makers' opinions suggest that the policy makers themselves are not certain of the role played by both the local business atmosphere and the level of household income in determining the level of rates. The percentages are 33% for the local business atmosphere and 39% for the level of household income. For the rest of the factors, most of the

policy makers agreed that they do influence the level of rates. These are presented in table 25.

Table 25: Factors influencing decision on rates

Factors	Distribution of Respondents (%)						Median Opinion
	Scale						
	1	2	3	4	5		
	n						
Local business atmosphere	49	6	13	8	16	6	3
Rate payers reaction to previous rate policy	49	5	9	9	25	1	4
Assembly's ability to deliver expected services	49	2	22	3	12	10	4
Frequency of increasing rate	49	0	2	19	25	3	4
Level of household income	49	5	10	10	19	5	3

Note: n – Number of sampled respondents.

Scale: Strongly Disagree (1) Disagree (2) Don't Know (3) Agree (4)
Strongly Agree (5)

Source: Field Survey, 1999

The system of rate policy formulation in place is an exercise that is carried out through the committee system and voting powers of the assembly without the input of the revenue staff and the ratepayers. Their contribution by way of informing the decision on policy is thereby eliminated.

Some implication can be drawn from the analysis of the factors listed above. On the reaction the assembly receives from taxpayers for previous policies, 25 or 51% of the policy makers agreed that it does influence the rate levels. The assembly is thus forced to take public opinion into consideration when determining the level of rates. On frequency of increasing rates, another 21 or 51% of the policy makers agreed that this is also important in determining rate levels. This also points to a consideration of public opinion. The fear is that frequent upward revision of rates might trigger negative reactions from the public. However, 22 or 45% of the policy makers interviewed were of the opinion that the assembly's ability to deliver expected services does not influence the rate levels. The implication is that in deciding on rate levels, the needs of the people are not considered. It is therefore not surprising that most of the households interviewed were of the view that the assemblies were not sensitive to the needs of the people.

The distribution of responses of the policy makers on some selected measures for improving both market tolls and property rates are presented in Tables 26 and 27.

From the tables it can be seen that even though both policy makers and rate payers agreed on such measures as training revenue staff and public education on taxation in increasing revenue generation, differences existed in their views on improving revenue generation. While rate payers thought that their involvement in the fixing of rates was important, policy makers felt that it was not an important factor in helping to raise revenue. This is likely to affect the willingness of rate-payers to voluntarily pay their taxes.

Table 26: Measures for improving revenue generation (market tolls)

Factors	n	Distribution Of Responses (%)					Median Opinion
		Scale					
		1	2	3	4	5	
Involving rate payers in Fixing rates	49	1	15	5	14	4	4
Training revenue staff	49	30	15	4	-	-	1
Education on taxation	49	28	16	5	-	-	2
Payment by instalments	49	2	8	23	10	6	3
Collection of tolls by Market queens	49	1	6	21	10	11	3

Table 27: Measures for improving revenue generation (property rate)

Factors	n	Distribution Of Responses (%)					Median Opinion
		Scale					
		1	2	3	4	5	
Involving Landlords in fixing Rates	49	8	7	8	16	10	3
Training revenue staff	49	30	14	5	-	-	1
Public education on property rating	49	33	13	3	-	-	1
Early and hand delivery of bills	49	1	19	20	6	3	3
Discount for early payment	49	3	8	15	9	14	3

Note (for both tables): n – Number of respondents

Scale: Extremely important (1) highly important (2) Important (3)

Less important (4) Not Important (5)

Source: Field Survey, 1999

The data in the tables were used to rank the measures as viewed by the policy makers and compared with the rate payers' ranking of the same measures and presented in Tables 28 and 29.

Table 28: Measures for improving market toll generation (ranks)

Measures	Rankings	
	Rate Payers	Policy Makers
Involving rate payers in fixing rates	2	4
Training revenue staff	3	1
Public education on taxation	4	2
Payment by instalments	1	3
Collection of tolls by market queens	5	5

Source: Field Survey, 1999

Table 29: Measures for improving property rate generation (ranks)

Measures	Rankings	
	Rate Payers	Policy Makers
Involving landlords in fixing rates	2	4
Public education on property rating	3	1
Early and hand delivery of bills	4	5
Discount for early payment	5	3
Training revenue staff	1	2

Source: Field Survey, 1999

Local infrastructural provision and local development

The total expenditure on the two sectors chosen, health and education, were examined for the two districts and their effects on the quality of life of the people, measured. In measuring the quality of life of the people, some indicators from both the health and education sectors were considered to be important. These included immunisation rates achieved, family planning rates, maternal and infant mortality rates as well as the doctor – patient ratios and morbidity rates for some diseases for the health sector. For the education sector, the indicators included examination achievements for basic schools, the enrolment of teachers and pupils (especially of girls) at the basic school. The expenditure for education and health in the two districts between 1983 and 1997 are presented in 30.

Table 30: Expenditure for health and education (1993-1997) -Agona and Assin District Assemblies

Year	Agona District Assembly		Assin District Assembly	
	Health	Education	Health	Education
1993	6,144,825	2,076,360	2,787,890	7,239,075
1994	37,739,941	46,790,284	20,117,900	19,298,107
1995	71,105,750	350,942,595	62,190,700	269,665,536
1996	140,368,889	362,720,066	117,583,086	322,417,878
1997	182,394,523	289,692,513	101,322,020	642,532,499

Source: Agona and Assin District Assemblies (1993 – 1997)

The major areas of expenditure were rehabilitation for the educational sector and purchase of tools and equipment as well as sanitation and waste management for the health sector. Expenditures for construction in the health sector were only minimal and limited to only 1996 and 1997 in both districts. In education, the entire budget for the Assin District was spent on school rehabilitation for the whole period under study. The Agona District spent a small amount for the provision of school furniture.

Data from the health sector indicate a very minimal impact. Even though data for 1993 was not available in the Agona District, OPD coverage was 20.7%, family planning acceptor rate was 7.3% and immunisation rate was 79.5% in 1997. There were only 7 doctors, 54 nurses and one government hospital in the Agona district. Malarial cases accounted for about 58% of morbidity reported at the OPD in 1997.

For the Assin District which had data for both 1993 and 1997, the data shows an improvement in immunisation rate from 59.1% in 1993 to 79.9% in 1997. About 20% of children were not immunised against the killer diseases. Children at risk of malnutrition had actually increased from 37.5% in 1993 to 45.7% in 1997 and family planning acceptor rate had also increased from 2.4% in 1993 to 8.4% in 1997. The number of doctors in the district reduced during the period from 10 to 8 while the number of nurses increased from 75 to 102. The doctor – patient ratio therefore remained very high. Malarial cases still constituted the highest cause of morbidity.

The situation showed very little achievement in the health programme for the district assemblies. There were no programmes for epidemic control

and health education. It could not be said that the decentralisation of health expenditure had made the desired impact.

In the education sector, data on enrolment and basic school examination results were obtained and compared with the expenditures being made in the sector. A simple correlation analysis showed only weak relationships between the expenditures and the indicators. Between local expenditure and primary school enrolment for example, the correlation was 0.4 in the Assin District and 0.5 in the Agona District. The situation was the same for candidates qualifying to enter Senior Secondary Schools from the districts as well as the enrolment of girls in primary schools.

Conclusion

The District Assemblies operate a number of revenue sources which they are by law allowed to impose and collect. This constitutes the own source revenue for the District Assemblies. The Study observed that during the period under review though returns from the own source revenues recorded growth over the years, their relative importance in relation to transfers from the central government declined. The indications are that even though the potential existed for the districts to increase their revenue from own sources, most of the assemblies have come to see the grants and common fund as substitutes for striving to increase own sources revenue.

In assessing the performance of the district assemblies, it was observed that actual revenues collected by the district assemblies varied markedly from the estimated revenues. This situation was attributed to poor estimation methods which rendered estimates inaccurate thus making planning very difficult. The result of this is that the districts are unable to implement any

development plan successfully in order to provide services satisfactorily to the citizenry leading to their reluctance or unwillingness to contribute to development activities.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter provides an overview of the entire work. A general summary of the work is provided. A summary of the major findings of the work are then discussed to help draw conclusions. Based on the conclusions, recommendations are made for intervention to improve the local financing system for local development.

Summary

The problem of inadequate funding of local governments as a hindrance to local development is given prominence in the literature. It is noted that even though most local governments had the scope to expand their own source of revenue, they could not generate sufficient revenue for the effective discharge of their functions. This is attributed to a general lack of capability on the part of most local governments. This incapability could be attributed to such factors as a lack of sufficient functions and functionaries (Humes, 1973). Besides, local governments could not attract and maintain an efficient management system capable of meeting the developmental needs of the people.

The task of this study was therefore to analyse the system of financing local development with the view to making suggestions for its improvement.

To help enhance this objective this study was therefore set out to achieve the following objectives:

- examine the system of financing local development
- determine the degree of success of the system in financing development at the local level
- establish the basis for the levels of success
- Recommend measures for improving the system of local level development financing

The study was conducted in the Agona and Assin Districts of the Central Region of Ghana. It covered the period from 1993 to 1997.

The review of literature discussed the development strategies adopted by the newly independent states of Africa as well as the experimentation with the centralised and decentralized structures of governance to help draw up a conceptual framework of the local financing system to guide the study.

Summary of findings

The District Assemblies operate a number of revenue sources which they are by law allowed to impose and collect. These revenue sources fall into eight main revenue heads. These are Rates, Lands, Fess/Fines, Licences, Investments, Rents, Grants and Miscellaneous items. It was observed that during the period under review, though returns from the own source revenues recorded growth over the years, their relative importance in relation to transfers from the central government declined. The indications are that even though the potential exist for the districts to increase their revenue from own sources, the assemblies have come to see the grants and common fund as

substitutes for striving to raise revenue from their own sources. In assessing the performance of the district assemblies, it was observed that actual revenues collected by the district assemblies varied from the estimated revenue. This situation is attributed to poor estimation methods which render estimates inaccurate thus making planning very difficult.

The examination of the expenditure patterns of the districts showed that they operate six major expenditure items. These are Personal Emoluments, Travel and Transport, General Maintenance/Repairs/Renewals, Capital/Development Expenditure, Investment/Common Fund Projects Expenditure and Miscellaneous/Other Current Expenditure. The Capital/Recurrent structure was used to analyse the expenditure. This showed that there was more expenditure on the recurrent items than on the capital items, especially in the period before the introduction of the common fund with recurrent expenditure as high as 90.3% in the Agona District and 52.8% in the Assin District in 1993. The situation improved with the introduction of the District Assemblies Common Fund in 1994. This was because the contributions from the Common Fund were mainly disbursed on capital items.

An examination of the financing system conducted in the study area through the survey showed little or no involvement of the local people in the whole project. This leads to lack of participation which is likely to generate lack of transparency and a clearer understanding of the dynamics involved in financing development at the local level. This was demonstrated the poor level of awareness or understanding the people in the districts had as far as financial matters were concerned. The communities were therefore not satisfied with how taxes were spent and complained that the procedures were not

transparent. As a result eliciting tax compliance from the local areas was almost impossible.

The study also looked at how expenditures were matched with local priorities and how the rate payers and policy makers viewed measures to improve rate levels and to ascertain whether the provision of local services by the District Assemblies matched the expectations of the local populace. The communities and the policy makers see the most appropriate ways to utilise the assembly's resources differently. Most of the households interviewed were of the view that the assemblies were not sensitive to the needs of the people. It is not surprising therefore, that local residents are unwilling to pay any extra taxes.

Conclusions

It is noted that even though most local governments had the scope to expand their own source of revenue, they could not generate sufficient revenue for the effective discharge of their functions. This inadequacy of funds is seen as a major hindrance to local development. This is attributed to a general lack of capability on the part of most local governments. The new development strategy is to strengthen local governments by making more resources available to them to help release the productive forces of society, mobilize the human resources essential for development and to overcome the bureaucratic obstacles to change through decentralisation. It is expected that this will lead to the achievement of a more responsive, responsible and accountable government.

It was observed that during the period under review though returns from the own source revenues recorded growth over the years, their relative importance in relation to transfers from the central government declined. This is due to the fact that most of the assemblies have come to see the grants and common fund as substitutes for striving to increase own sources revenue.

Expenditures also showed more recurrent spending than capital spending. Recurrent expenditure was as high as 90.3% in the Agona District and 52.8% in the Assin District in 1993. The result of this is that the local governments are unable to implement any development plan successfully in order to provide services satisfactorily to the citizenry leading to their reluctance or unwillingness to contribute to development activities. The financing system is therefore unable to deliver development to the people at the local area.

Recommendations

The ineffectiveness of local government in local development emanated largely from post- independence strategies adopted by past governments. Conditions under centralisation development strategy did not promote the role of local government in local development. Whereas the pattern of state control allowed for the pooling and allocation of national resources irrespective of the ability of specific areas to raise their own revenue, it also did not instil in local communities a sense of responsibility for revenue use. The following recommendations are therefore made to help improve the local financing system.

- Continuous efforts are necessary to decentralize authority to lower levels of administration which are directly involved in plan implementation. It is the officials and the people at operating levels in the field who are well placed to perceive things as they are, and also to apply solutions that alone can set the problem right.
- Support for the local governments, the introduction of the concept of popular participation in local government is also strongly recommended. This can allow for a more appropriate linkage between infrastructural expansion and maintenance on the one hand and resource mobilization capacity on the other. This requires fostering a spirit of self-help and accountability in local communities.
- Expenditures should be classified according to the objectives and activities which they support, the organisational units responsible for managing the expenditure, the sector to which expenditure relates and the type of expenditure incurred. The expenditure information must also distinguish between the various sources of funds available to them – locally generated, transfers, donor funds and others.
- Local governments are likely to be more efficient, transparent, predictable and responsive if they are responsible to their constituents. The Local Governments should recognise that they cannot, on their own, succeed in satisfying the needs of their constituents for a wide array of services. They should now work with other critical actors and institutions (including other local authorities) in the local environment to mobilise ideas, support and resources for the governance of their respective local areas.

- District Assembly own sources of revenue must be strong enough to raise sufficient funds to finance the development budget. One important source is Property Rates. The owners of property have to pay a tax based on a valuation of their property. In order to increase revenue from property rates, the rates must be based on the market value of the property and such property must be valued regularly to ensure that the real market values of property is determined to bring in realistic revenues. A process of regular assessments of property values needs to be entrenched and not done on an ad-hoc basis..
- In order to improve the overall efficiency of tax collection, there is the need to prepare a comprehensive register of all revenue sources annually, update nominal rolls of tax payers within the district annually by communities and to undertake vigorous public education campaigns to sensitise the citizenry about their tax obligations and the benefits to be derived from payment.
- Economic resources are scarce and should be used in the best possible way to reap maximum benefits for local communities. This will ensure a direct linkage between payments and benefits which is likely to improve the willingness by local residents to pay taxes, levies and fees. The current system has no mechanism of ensuring that local government decision will indeed lead to an efficient resource allocation. It is, therefore important that local residents provide the necessary checks and balances. They can do this by participating in the budgeting process to ensure that resources are being put to the best use.

Efficiency in public spending and resource allocation will ultimately increase the access of the poor to basic services.

- District Assemblies must be held responsible and accountable to local tax payers for the use of public funds. Elected representatives should be required to justify their expenditure decisions and explain why and how revenue necessary to sustain that expenditure is raised. The fiscal system should be designed to encourage accountability. District budgeting and financial affairs should be open to public scrutiny, and communities should have a greater voice in ratifying decision about how revenue is raised and spent.. It should also include a capacity building component to ensure that people understand the process of prioritisation – why resources are allocated to one set of things rather than another. Accounting and financial reporting procedures should also be such that they minimise opportunities for corruption and malfeasance.

Suggestions for further research

- In view of the paucity of appropriate data base for planning there is the need for research to generate information on local management systems.
- It is also important to investigate the possibility and viability of involving private partnership in revenue collection at the local level.
- Investigate the possibility of tapping the local knowledge in the design and implementation of a new local governance system.

REFERENCES

- Agona District Assembly. (1993-1997). *District Annual Trial Balances*.
Accra: Ministry of Local Government and Community Development.
- Allen, B. (1987). *Information Systems for Government Fiscal Management*.
Washington DC: World Bank.
- Assin District Assembly. (1993-1997). *District Annual Trial Balances*. Accra:
Ministry of Local Government and Community Development.
- Atsem, G. A. D. (1992). *Local Government and Rural Development in Ghana*
Unpublished M.Phil. Thesis, Accra: University of Ghana.
- Bahl, R., Holland, D. & Linn, J. (1990). Mobilising Resources in Developing
Countries in Bird, R. M., & Oldman, O. (eds.) (1990). *Taxation in
Developing Countries*. Baltimore: Johns Hopkins University Press.
- Bahl, R., & Linn, J. (1992). *Public Finances in Developing Countries*. World
Bank: Oxford University Press.
- Bahl, R., Linn, J. (1991). *Urban Public Finances in Developing Countries*.
World Bank: Oxford University Press.
- Bahl, R., & Linn, J. (1983). *Urban Public Finance in Developing Countries*.
World Bank: Oxford University Press.
- Bahl, R., Miner, J. & Schroeder, L. (1984). "Mobilising Local Resources in
Developing Countries" in *Public Administration and Development*, 4:
305-23. Chichester: John Wiley and Sons.
- Bahl, R. & Wallich, C. (1992). *Intergovernmental Fiscal Relations in China*.
Washington D.C.: World Bank.

- Bandie, R. D. B. (1989). *Financial Resource Mobilisation for Local Development: A Case Study of Techiman District Council*. Unpublished M.Sc. Thesis. Kumasi: University of Science and Technology.
- Bennet, R. J. (1982). *Central Grants to Local Governments*. Cambridge: Cambridge University Press.
- Bird, R. M. (1992). Decentralisation of Infrastructure: for good or for ill, *Policy Research Working Paper 1258*. Washington D.C: World Bank.
- Bird, R. M. (1990). *Tax Policy and Economic Development*. Baltimore: Johns Hopkins University Press.
- Bird, R. M. & Wallich, C. (1993). Fiscal Decentralization and Intergovernmental Relations in Transitional Economies: Towards a Systematic Framework of Analysis, *Policy Research Working Paper 1122*. Washington D.C.: World Bank.
- Blakely, E.J. (1994). *Planning Local Economic Development: Theory and Practice*. California: Sage Publications.
- Brown, C.K. (1986). Towards a Meaningful Approach to the Organisation of Rural Development in Ghana in C.K. Brown (ed). *Rural Development in Ghana*, Accra: Ghana Universities Press.
- Cliffe, L., Saul, J. (1972). "The District Development Front in Tanzania" in *The African Review*. 11(1): 65-104.
- Cochrane, G. (1983). Policies for Strengthening Local Government in Developing Countries. *World Bank Staff Working Paper 582*. Washington D.C.: World Bank.

- Coombs, H. L. (1978). *The Return of Scarcity: Strategies for an Economic Future*. Cambridge: Cambridge University Press.
- Conyers, D. (1983). Decentralisation: The Latest Fashion in Development Administration? *Public Administration and Development*, 3: .97 – 109
- Darity, Jr., W. A. (1995). *International Encyclopaedia of the Social Sciences*. New York: Thomson Gale.
- Diaw, J. K. (1994). *Mobilising Endogenous Potential for District Development in Ghana*. Dortmund: SPRING.
- Dotse, G. (1996). *The Policy Environment for Ghana's Informal Sector: Consortium and Cost*. Unpublished MPhil Thesis. Cape Coast: University of Cape Coast.
- Devas, N. (1988). "System of Allocation of Government", in Prentilla, B. (ed). *Financing Local and Regional Development*, Nogoya.
- Dzakpasu, C.C.K. (1976). *Local Government in Dzodze*. Unpublished M.A Thesis. Legon: University of Ghana.
- Eisenger, P.K. (1988). *The rise of the Entrepreneurial State: State and Local Economic Development Policy in the United States*. Madison, WI: University of Wisconsin Press.
- Gboyega, A. (1989). *Public Administration*, London: Heinemann Education Books Ltd.
- Ghandi, V.P. (1995). "Inter- Governmental Fiscal Relations and Economic Performance" in Jayant, R. (ed.) *Macro-economic Management and Fiscal Decentralisation*. Washington: .IBRD.

- Godard, J.P. (1985). Endogenous Development and Differentiation of Development Spaces: an analysis grid for local development *Ecodevelopment News*. 35: 24 – 41.
- Goode, R. (1990). Obstacles to Tax Reforms in Developing Countries, in Bird, R. M., & Oldman O. (eds). *Taxation in Developing Countries*. Baltimore: Johns Hopkins University Press.
- Goran, H. (1980). *Beyond “Ujamaa” in Tanzania, Under-development and an Uncaptured Peasantry*. London: Heinemann Educational Books Ltd.
- Graham, L. (1980). “Centralization versus Decentralization. Dilemmas in the Administration of Public Services” *International Review of Administrative Science* 46 (3): 219-220.
- Haller, P. and Tait, A. (1982). *Government Empowerment and Pay: Some International Comparisons*. Washington D.C.: IMF.
- Hicks, U.K. (1961). *Development from below: Local Government and Financing Developing Countries of the Commonwealth*. Oxford: Clarendon Press.
- Hicks, U.K. (1969). *Development Finance Planning and Control*. Oxford: Clarendon Press.
- Hughs, B. (1985). *Science and Starvation: An Introduction to Economic Development*. Oxford: Pergamon Press.
- Humes, S. (1973). “The Role of Local Government in Economic Development”, *Journal Of Administration Overseas*, 12, (1):.21–27.
- International Monetary Fund. (1990). *Government Financial Statistics Yearbook*. Washington D.C.: IMF.

- Jenkins, J. (ed). (1988). *Beyond the Informal Sector: Including the Excluded in Developing Countries*. San Francisco: ICS Press.
- Jimenez, E., (1988). *Pricing Policy in the Social Sector* Baltimore: Johns Hopkins University Press.
- Jones, G, Stewart, J. (1982). *The Case for Local Government*. London: George Allen and Urwin.
- Kessey, K.D. (1992). *Local Revenue Administration in Ghana: Practice and Prospects*. Dortmund: Spring Centre, University of Dortmund.
- Kessey, K. D. (1995). *Financing Local Development in Ghana – Mobilization and Management of Fiscal Resources in Kumasi Metropolis*. Dortmund: Spring Centre, University of Dortmund.
- Khanna, J., Van Look, P.F.A. & Griffin, P. D. (1991). *Reproductive Health: A Key to a Brighter Future. Biennial Human Development Report 1990-1991 Special 20th Anniversary Issue*. Geneva: IMF.
- Kokor, J.T (1991). *Local Fiscal Capacity for Development: A Comparative Analysis of Ghana and Liberia*. Dortmund: SPRING Centre, University of Dortmund.
- Lockheed, M. (1990). Primary Education. *World Bank Policy Paper*. Washington D. C.: World Bank.
- Mawhood, P. (ed). (1983). *Local Government in the Third World: The Experience of Tropical Africa*. Chichester: John Wiley and Sons.
- Mackintosh, M. & Whyte, M. (1988). Accumulation, Social Services and Socialist Transition in the Third World: Reflections on the Mozambican Experience. *Journal of Development Studies*. 24(4) : 136-179.

- Mensah, J. V. (1992). *Fiscal Resource Mobilisation and Management for Local Development: A Case Study of the Mpohor Wassa East District in Ghana*. Unpublished M.Sc. Thesis, Kumasi: University of Science and Technology.
- Montgomery, J. (1972). "Allocation of Authority in Land Reform Programs: A Comparative study of Administrative Processes and Outputs", *Administrative Science Quarterly*, 17: 62-75.
- Musgrave, R.A. (1993). *Fiscal Systems*. New Haven: Yale University Press.
- Musgrave, R.A., Musgrave P.B. (1984). *Public Finance in Theory and Practice*. New York: McGraw Hill Inc.
- Mutiza–Mangiza, N. (1990). Decentralisation and District Development Planning in Zimbabwe. in Smith, B. (ed.) *Public Administration and Development*. 10: 423–35. Chichester: John Wiley and Sons.
- Nkrumah, S.A. (ed.) (1990). *Ghana's Local Government Law: Issues of Implementation*. Accra: University of Ghana.
- Nsarkoh, J. K. (1980). "Local government Grants in aid and the Ghana Local Government Grants Commission" *School of Administration Working Paper Series*. Accra: University of Ghana.
- Nsarkoh, J. K. (1977). *A Second Look at Aspects of Local Government Finance in Ghana*. Research Project for the Ministry of Finance, Accra: Ministry of Finance.
- Oates, W. E. (1993). Fiscal Decentralisation and Economic Development, *World Bank Working Paper*. 93-4. Maryland: University of Maryland.
- Ollawa, P. (1979). A Dynamic Model for Rural Development in Africa, *Journal of Modern African Studies* 15(3): 401-423

- Olowu, D. (1991). The Challenge of Governing Africa's Large Cities in Olowu, D. (ed.). *Governance and Democratization in West Africa*, CODESRIA London: Russell Press Ltd.
- Olowu, D. (1990). *Government and Administration of Lagos State, Nigeria: 1968-1983*. Lagos: Malthouse Press.
- Olowu, D. (1987). Local Government Innovation in Nigeria and Brazil: A Comparative Discussion of Innovation Transfers and Intergovernmental Relation. in Smith, B. (ed.) *Public Administration and Development 2*: 345 – 357. Chichester: John Wiley and Sons.
- Olowu, D. & Smoke, P. (1992). Determinants of Success in African Local Government: An Overview, in Smith, B. (ed.) *Public Administration and Development 12(1)*. Chichester: John Wiley and Sons.
- Olowu, D. & Wunsch, J. S. (1990). *The Failure of the Centralised State: Institutions and Self Governance in Africa*. Boulder, Colorado: Westview Press.
- Ostrom, E. (1992). *Institutional Incentives and Sustainable Development: Infrastructural Policies in Perspective*. Boulder, Colorado: Westview Press.
- Paul, S. (1988). "Governments and Grassroots Organisations: from Co-Existence to Collaboration", in Lewis, J. (ed). *Strengthening the Poor: What Have We Learned?* Washington D.C.: Overseas Development Council.
- Peprah-Omani, R. (1986). *Administrative Capability of District Councils: a Test of the Impact of the Mills-Odoi Report on District Council Staffing*, Unpublished MPA Thesis. Accra: University of Ghana.

- Pest, A. (1985). *Public Finance in Theory and Practice*. London: Weidenfield and Nicolson.
- Prud'homme, R. (1989). The Dangers of Decentralisation. *World Bank Research Observer* 2(10): 201-210.
- Republic of Ghana. (1998). *Local Government Bulletin*. Accra: Ghana Publishing Corporation.
- Republic of Ghana. (1993). *Local Government Law (Act 462)*. Accra: Ghana Publishing Corporation.
- Republic Of Ghana. (1992, 1979). *Constitution of the Republic Of Ghana*, Accra: Ghana Publishing Corporation.
- Republic of Ghana. (1989). *Ghana Living Standard Survey*. Accra: Ghana Statistical Services.
- Republic of Ghana. (1987). *Local Government Law (PNDCL 207)*. Accra Ghana Publishing Corporation.
- Republic of Ghana. (1984). *Population Census of Ghana*. Accra: Ghana Statistical Service.
- Republic of Ghana. (1984). *Population Census of Ghana-(Central Region)*. Accra: Ghana Statistical Service.
- Rhodes, E. (1988). *The Politics of Strategic Adjustment: Class, Institutions and Interests*. New York: Columbia University Press.
- Rondenelli, D. A. (1990). Financing the Decentralisation of Urban Services in Developing Countries: Administrative Requirements for Fiscal Improvements. *Studies in Comparative International Development*. 25: 43-59.

- Rondenelli, D.A (1982). Government Decentralisation in Comparative Perspective, *International Review of Administrative Sciences*, Vol.47 (2).
- Rondenelli, D. A. (1981). *Small Towns in Developing Countries: Potential Centres of Growth Transformation and Integration*. Rural Marketing Centres Working Group, Corporative Agreement on Settlements and Resource Systems Analysis. Massachusetts: Clark University.
- Rondenelli, D. A. (1978). National Investment Planning and Equity Policy in Developing Countries: The Challenge of Decentralized Administration. *Policy Sciences* 10. (45-74).
- Rondenelli, D. A, & Cheema, G.S. (1983). *Decentralisation and Development Policy Implementation in Developing Countries*. London: Sage Publication.
- Rondenelli, D. A., McCullogh, J, & Johnson, R. (1989). Analysing Decentralised Policies in Developing Countries: A Political Economy Framework. *Development and Change* 20: 57–87.
- Rondenelli, D. A. & Nellis, J. R. (1986). “Assessing Decentralization Policies in Developing Countries: The Case for Cautious Optimism”. *Development Policy Review* 4: 3-23
- Schaffer, W. (1982). *Institution-Building for Development Administration for Rural areas in Africa*. London: Heinemann Educational Books Ltd.
- Schroeder, L. (1986). Mobilisation by Local Government in Developing Countries. *Regional Development Dialogue*, Vol.7 (3)
- Schroeder, L., (ed) (1989). *Financing Governmental Decentralisation – the Case of Bangladesh*. Colorado: Westview Press.

- Shah, A. (1991). "Perspectives on the Design of Intergovernmental Fiscal Relations". *World Bank WPS 726*. Washington: World Bank
- Shah, A. & Qureshi, Z. (1991). *Inter-governmental Fiscal Relations in Indonesia – Issues and Reform Options*. Washington DC: World Bank.
- Shukla, K.S. (1987). *The Other Side of Development: Socio-Psychological Implications*. New Delhi: Sage Publication.
- Smith, B. (1982). The Revenue Position of Local Government in Nigeria. *Public Administration and Development*. 2 (1): 1-13.
- Smoke, P. (1989). Is Local Public Finance Theory relevant for Developing Countries? *Development Discussion Papers No. 316*. Harvard Institute for International Development. Cambridge: Harvard University.
- Stohr, W. B. & Taylor, D. R. (ed) (1981). *Development from Above or Below*. Chichester: John Wiley and Sons.
- Thomas, A. (1989). *Poverty and Development in the 1980s*. Oxford: Oxford University Press.
- Tiebout, C. M. (1957). A Pure Theory of Local Expenditure. *Journal of Political Economy* 64: 416 – 424.
- Town and Country Planning Department. (1995). *Map of Central Region Showing the Agona and Assin Districts*. Cape Coast: Department of Town and Country Planning.
- UNDP, (1991). *Human Development Report 1993*. New York: Oxford University Press.
- UNDP, (1986). *Report on the Preparatory Assistance in Streamlining the Central Planning Process in Establishing Decentralised Planning Structures*. New York: UNDP.

- Uphoff, N.T. (1988). Assisted Self Reliance: Working with, rather than for the Poor. in Lewis, (1993). *The Bank with a Heart. Planning Magazine*, 59(4)
- Uphoff, N.T. & Esman, M.J. (1974). *Local Organisation of Rural Development: Analysis of the Asian Experience*, Centre for International Studies, Ithaca: Cornell University Press,
- Wallich, C. (1992). *Fiscal Decentralisation: Inter-Governmental Relations in Russia*. Washington: World Bank.
- World Bank. (1989). *Strengthening Local Governments in Sub-Saharan Africa*. Washington DC: World Bank.
- World Bank, (1988). *World Development Report*. New York: Oxford University Press
- Zanu, S. Y. M. (1995). *The Constitution, Decentralisation and Local Development: Decentralisation as a Tool for Democratisation and Development, A Seminar Report*, Accra: Konrad Adenauer Foundation.

No []

5. If no, give reasons

6. If yes, under what conditions would you be prepared to pay more?

7. Is the community involved in projects in the area?

Yes []

No []

8. If no why?

9. If yes how are they involved

10. Do you think the District Assembly is generating enough revenue to promote development in the District?

Yes []

No []

11. If no, suggest ways to improve upon the revenue of the District.

12. What factors do you think inhibits revenue generation in the District?

13. How financially autonomous do you think the District Assembly is?

• Wholly []

• Largely []

• Partly []

• Not at all []

14. Do you contribute any special levies?

Yes []

No []

15. If yes, what are these?

16. Do you pay these levies willingly?

Yes []

No []

17. Do you think it is possible to influence the rate of taxes you pay?

Yes []

No []

18. If yes, how could that be done?

19. If no, would you like to be involved in fixing rates?

Yes []

No []

20. What factors do you think should be taken into consideration in determining the rate of taxes?

21. How do you consider the current rate of taxes?

• Very High []

• High []

• Normal []

• Low []

• Very Low []

22. Do you know how taxes paid are spent?

Yes []

No []

23. If yes, how?

24. Are you satisfied with the way your taxes are spent?

Yes []

No []

25. Explain your answer

26. Are you aware of the proportion of taxes spent on development projects?

Yes []

No []

27. If yes, are you satisfied?

Yes []

No []

28. Explain your answer

29. Suggest ways for improving revenue generation in your area

30. Are you aware of some Organisations undertaking development projects in your area?

Yes []

No []

31. List these Organisations

32. Which of the above have been very keen in developing your area?

33. How do you consider the various services offered by the District Assembly? SCALE:

1. Highly Favourable

2. Favourable

3. Normal

4. Unfavourable

5. Very Unfavourable

1 2 3 4 5

a. Formal Sector Employment [] [] [] [] []

b. Opportunity for Informal Sector Employment [] [] [] [] []

- c. Standard of law and order [] [] [] [] [] []
- d. Sanitary Condition [] [] [] [] [] []
- e. Housing Condition [] [] [] [] [] []
- f. Supply of potable water [] [] [] [] [] []
- g. Transportation [] [] [] [] [] []
- h. Access to Health Services [] [] [] [] [] []
- i. Access to Basic Education [] [] [] [] [] []

34. Which aspects of the District Assembly's functions would you want to see promoted?

35. SCALE:

- 1. Top Priority
- 2. High Priority
- 3. Priority
- 4. Low Priority
- 5. Very Low Priority

1 2 3 4 5

- a. Public Administration [] [] [] [] [] []
- b. Security [] [] [] [] [] []
- c. Sanitation and Public Health [] [] [] [] [] []
- d. Civil Works e.g. Construction [] [] [] [] [] []
- e. Transport Operation [] [] [] [] [] []
- f. Revenue Administration [] [] [] [] [] []
- g. Providing facilities for basic Education [] [] [] [] [] []
- h. Economic Activities [] [] [] [] [] []

36. What is your opinion about the District Assembly?

SCALE:

- 1. Strongly Agree
- 2. Agree
- 3. Indifferent
- 4. Disagree
- 5. Strongly Disagree

	1	2	3	4	5
a. Sensitive to the needs of residents	[]	[]	[]	[]	[]
b. The staff is sympathetic and helpful	[]	[]	[]	[]	[]
c. It is performing less effective roles	[]	[]	[]	[]	[]
d. Imposes unjustifiable rates	[]	[]	[]	[]	[]
e. Has limited resources to accomplish its tasks	[]	[]	[]	[]	[]
f. Needs reorganisation to perform effectively	[]	[]	[]	[]	[]
37. Any further comments on the District Assembly.					

APPENDIX 2

**UNIVERSITY OF CAPE COAST
CENTRE FOR DEVELOPMENT STUDIES
FINANCING LOCAL LEVEL DEVELOPMENT
INTERVIEW SCHEDULE FOR POLICY MAKERS**

Introduction

The purpose of this interview is to collect data for academic exercise. The responses would be used strictly for that purpose only and the identity of respondents would be confidential.

Date of Interview

Code No

Name of Interviewer

District

Zone

Town/Village

Respondent

1.0 GENERAL INFORMATION

1.1 What is your relation to the Assembly?

- Civil Servant []
- Elected Servant []

If a Civil Servant, indicate your status

If an Elected Servant, indicate your profession

1.2 Level of terminal Formal education

- Nil []
- Primary []
- Middle []

• Second cycle []

• Tertiary []

1.4 How long have you been serving in the District Assembly?

a. 0 – 6 years []

b. 6 – 10 years []

c. Over 10 years []

1.5 Which sub-committee(s) of the District Assembly do you serve on
(Check all that apply)

a. Executive Committee []

b. Finance and Administration []

c. Social and Technical infrastructure []

d. Budgeting and Planning []

e. Other (specify)

2.0 REVENUE GENERATION

2.1 Do you consider the sources of revenue for the District Assembly to be
adequate?

Yes []

No []

2.2 Give reasons for your answer

2.3 How responsive are your communities to taxation?

2.4 What measures do you employ to arouse peoples' consciousness about
tax obligations?

• Educating the people on taxation []

• Involving rate payers in fixing rates []

• Providing improved services []

- Sanctions for non payment []
- Exemptions for early payments []

2.5 What major problems are associated with revenue collection in the district?

2.6 How many of these problems can be solved?

2.7 Apart from the District Assembly, which other authorities raise revenue in the District?

2.8 What fraction of their revenue does each contribute to the assembly?

2.9 How would you rate the following measures as tools for improving the collections? SCALE:

1. Extremely important
2. Highly important
3. Important
4. Less important
5. Not important

	1	2	3	4	5
a. Public education on taxation	[]	[]	[]	[]	[]
b. Involvement of rate payers in fixing rates	[]	[]	[]	[]	[]
c. Training of Revenue staff	[]	[]	[]	[]	[]
d. Payment by instalment	[]	[]	[]	[]	[]
e. Discount for early payment	[]	[]	[]	[]	[]

2.10 Rates and Rate Fixing

i. How would you judge the level of rates in the District?

SCALE

1. Very High
2. High
3. Normal
4. Low
5. Very Low

	1	2	3	4	5
a. Market Tolls	[]	[]	[]	[]	[]
b. Property Tax	[]	[]	[]	[]	[]
c. Trading Licenses	[]	[]	[]	[]	[]

ii. The following factors influence the Assembly's decision on Rat level.

SCALE

1. Strongly Disagree
2. Disagree
3. Don't Know
4. Agree
5. Strongly Agree

	1	2	3	4	5
a. Local Business Atmosphere	[]	[]	[]	[]	[]
b. Ratepayers' reactions to previous policy	[]	[]	[]	[]	[]
c. The last time a rate was increased	[]	[]	[]	[]	[]
d. The ability to deliver expected services	[]	[]	[]	[]	[]
e. Level of Households' incomes	[]	[]	[]	[]	[]

iii. In your opinion, can the following factors have a positive effect on revenue generated from markets?

SCALE

1. High Positive Effect
2. Positive Effect
3. No Effect
4. Negative Effect
5. Strong Negative Effect

	1	2	3	4	5
a. Regular maintenance of market structure	[]	[]	[]	[]	[]
b. Regular cleaning of markets	[]	[]	[]	[]	[]
c. Effective security services	[]	[]	[]	[]	[]
d. Fixing rates with the traders	[]	[]	[]	[]	[]
e. Level of trade profits	[]	[]	[]	[]	[]
i. How would you rate the following measures as tools for improving market tolls collection?					

SCALE

1. Extremely Important
2. Very Important
3. Important
4. Less Important
5. Not Important

	1	2	3	4	5
a. Involving ratepayers in fixing rates	[]	[]	[]	[]	[]
b. Training of revenue staff	[]	[]	[]	[]	[]
c. Educating traders on taxation	[]	[]	[]	[]	[]
d. Collection of tolls by “Market Queens”	[]	[]	[]	[]	[]

e. Payment by instalment [] [] [] [] [] []

v. How would you rate the following measures as tools for improving property tax collection? SCALE

- 1. Extremely Important
- 2. Very Important
- 3. Important
- 4. Less Important
- 5. Not Important

1 2 3 4 5

- a. Involving landlords in fixing rates [] [] [] [] []
- b. Training of revenue staff [] [] [] [] []
- c. Pubic education on property rating [] [] [] [] []
- d. Early and hand delivery of bills [] [] [] [] []
- e. Discount for early payment [] [] [] [] []

vi. How would you rate the following measures as tools for improving licenses collection?

SCALE

- 1. Extremely Important
- 2. Very Important
- 3. Important
- 4. Less Important
- 5. Not Important

1 2 3 4 5

- a. Involving ratepayers in fixing rates [] [] [] [] []

- b. Training of revenue staff [] [] [] [] [] []
- c. Pubic education on taxation [] [] [] [] [] []
- d. Collecting the annual liability at a goal [] [] [] [] [] []
- e. Payment by instalment [] [] [] [] [] []

2.11 What new ways revenue generation would you recommend?

3.0 FORECASTING

3.1 What procedures do you have for estimating revenue and expenditure?

3.2 Do you consider these appropriate?

Yes []

No []

3.3 Give reason for your answer

3.4 What are the major problems of estimating revenue and expenditure?

3.5 What prospects do you have for solving these problems?

4.0 FINANCIAL RESOURCES AND MANAGEMENT

4.1 Given the responsibilities of the assembly, how do you consider the financial resources of the assembly?

- Very adequate []
- Highly adequate []
- Normal []
- Inadequate []
- Highly Inadequate []

4.2 Give reasons for your answer

4.3 Do you think the assembly is able to mobilise all financial resources available?

Yes []

No []

- 4.4 If no, what other sources are available but not mobilised?
- 4.5 How do you propose that these other resources be mobilised?
- 4.6 How do you consider the financial management operations of the assembly?
 - Highly efficient []
 - Efficient []
 - Normal []
 - Inefficient []
 - Very Inefficient []
- 4.7 Give reasons for your answers
- 4.8 What factors are responsible for local financial problems?

SCALE

- 1. Highly effective
- 2. Effective
- 3. No effect
- 4. Ineffective
- 5. Highly ineffective

	1	2	3	4	5
a. Inadequate Revenue sources	[]	[]	[]	[]	[]
b. Poor Revenue mobilisation	[]	[]	[]	[]	[]
c. Inflation	[]	[]	[]	[]	[]
d. Inefficient Resource management	[]	[]	[]	[]	[]
e. Effect of macro policies	[]	[]	[]	[]	[]

- 4.9 How may these problems be solved?
- 5.0 THE COMMON FUND AND CEDED REVENUE
- 5.1 i Does the Assembly receive its share of the Common Fund on time?
- Yes []
- No []
- ii Do you consider the amount to be adequate?
- Yes []
- No []
- iii If no, why?
- 5.2 Do you have any difficulties collecting the ceded revenue?
- Yes []
- No []
- 5.3 List these difficulties
- 5.4 How may these be solved?
- 5.5 Are you aware of the procedures for determining the levels of the common fund to the assembly?
- Yes []
- No []
- 5.8 If yes, what are they?
- 5.9 Does the Assembly put in any extra effort to increase its share of the common fund?
- Yes []
- No []
- 5.10 If yes, what efforts are made?
- 6.0 REVENUE UTILIZATION

- 6.1 What studies precede the initiation of projects to ensure their success?
- 6.2 What criteria do you use in assisting communities with development projects?
- 6.3 Are the communities aware of these criteria?
- Yes []
- No []
- 6.4 If no, give reasons
- 6.5 Any other comments.

APPENDIX 3

UNIVERSITY OF CAPE COAST

CENTRE FOR DEVELOPMENT STUDIES

FINANCING LOCAL LEVEL DEVELOPMENT

INTERVIEW SCHEDULE FOR REVENUE COLLECTORS/CO- ORDINATORS

Introduction

The purpose of this interview is to collect data for academic exercise. The responses would be used strictly for that purpose only and the identity of respondents would be confidential.

Date of Interview		Code No
District	Zone	Town/Village

Respondent

A GENERAL INFORMATION

1.1 What is your status in the District Assembly?

- Salaried Collector []
- Commission Collector []
- Co-ordinator []

1.2 Level of terminal Formal Education

- Primary []
- Middle []
- Secondary []
- Tertiary []
- Other(specify)

B.1. What kind of taxes do you collect?

2. How many settlements do you collect revenue from?
3. How many taxable people do you have for each source from your area?

Source	Rate	No. of People
--------	------	---------------

4. What are the major problems you encounter in undertaking your task?

5. How do you propose to solve these problems?

6. To whom do you pay revenue collected?

- Sectional Head []
- Sub Office Cashier []
- Central Office Cashier []

7. Are you happy with this reporting system?

Yes []

No []

8. Give reasons for your answer

9. Are you aware of any law that protects you as a rate collector?

Yes []

No []

10. If yes, what is it?

11. How do ratepayers often pay their rates?

- Daily []
- Weekly []
- Monthly []
- Yearly []

12. Is this method of payment suitable?

Yes []

No []

13. Give reasons for your answer

14. How do you deal with defaulters?

15. Are penalties imposed on defaulters severe enough to deter them?

Yes []

No []

16. Give reasons for your answer

17. Are you given any incentives as motivation?

Yes []

No []

18. If yes, state type(s)

19. If no, what type(s) would you prefer?

20. Do you have specific targets to pay at the end of the month?

Yes []

No []

21. Are you able to reach these targets?

Yes []

No []

22. If no, why are you not able to reach these targets?

23. Do you keep any books as a collector?

Yes []

No []

24. If yes, what are they?

25. Have you received any formal training in book-keeping?

Yes []

No []

26. If yes, where did you receive this training?

27. If no, would you like to have any training in book-keeping?

Yes []

No []

28. Who audits your books (if you keep any)?

• Internal Auditors []

• External Auditors []

• Local Government Inspectors []

• Other (specify)

29. How often are the books audited?

• Monthly []

• Quarterly []

• Half Yearly []

• Yearly []

30. Do you consider this

• Too Frequent []

• Normal []

• Less Frequent []

31. Mention three major problems that retard your efficiency

32. What solutions do you suggest?

33. Any other comments.