

PN-ABI-589  
72503

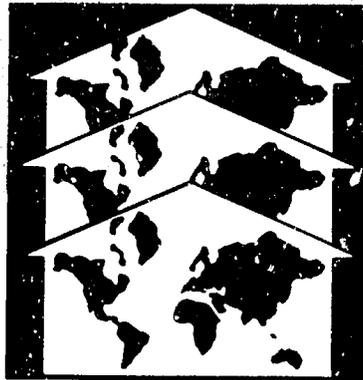
# Ghanaian Decentralization

---

OFFICE OF  
HOUSING AND URBAN  
PROGRAMS

---

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



W O R K I N G P A P E R

This working paper represents a non-official publication of the Office of Housing and Urban Programs.  
Working Papers are distributed unedited in order to ensure their timely availability.

## **GHANAIAN DECENTRALIZATION**

**Prepared by  
Carleene Dei, RHUDO/WCA  
for USAID/Ghana**

**Title:** Ghanaian Decentralization

**Author:** Dei, Carleene

**Affiliation:** RHUDO/WCA

**Pub. Date:** July 1991

**Project #:**

**Contract #:**

**Pages:** 30

**Language:** Eng

**Sponsor:** USAID/Ghana

**Abstract:** In 1988, the Government of Ghana initiated one of the most ambitious decentralization programs in West Africa. Under this program, significant powers and responsibilities were transferred from central to local government units, thereby reversing a three decade long trend of gradually escalating centralization. This report reviews the historical role and structure of local government in Ghana and analyzes the constraints to successful implementation of the decentralization program. Ghana's program also serves as a case study for examining the goals and development of USAID's decentralization strategy.

**Index Terms:** Ghana/Decentralization/Municipal Management/  
Local Government

**Document id:**

# GHANAIAN DECENTRALIZATION

## TABLE OF CONTENTS

I.	INTRODUCTION	
II.	LOCAL GOVERNMENT IN GHANA	
	A.	Historical Overview of Local Government..... 1
	B.	The Decentralization Rationale..... 2
	C.	The Structure of Ghanaian Decentralization..... 4
		1. District Level Government..... 4
		2. Regional Level Government..... 5
		3. Central Government and Decentralization..... 6
III.	CONSTRAINTS ANALYSIS	
	A.	Key Constraints to Decentralization..... 7
		1. Manpower Constraints..... 7
		2. Financial Constraints..... 9
		3. Infrastructure Constraints.....15
		4. Political Will and Coordination.....15
	B.	Efforts to Address Key Constraints.....17
		1. Studies, Workshops and Legislative Adjustments.....17
		2. Bilateral and Multilateral Donor Assistance.....20
		a. PAMSCAD.....20
		b. Other Donor Programs.....21
IV.	USAID DECENTRALIZATION STRATEGY	
	A.	A.I.D. and Decentralization.....23
		1. DFA and Decentralization.....23
		2. The Democracy Initiative.....24
	B.	Relationship of Decentralization to the Current USAID Program Goal.....24
		1. Human Resource Base Improvement.....25
		2. Private Sector Promotion.....26
	C.	Towards the Formulation of a USAID Decentralization Strategy.....27

## GLOSSARY OF TERMS USED

CIDA	:Canadian International Development Agency
DA(s)	:District Assembly(s)
DFA	:Development Fund For Africa
DFBU	:District Planning and Budgeting Unit
EEC	:European Economic Community
ERP	:Economic Recovery Program
GIMPA	:Ghana Institute of Management and Public Administration
GOG	:Government of Ghana
GTZ	:German Agency for Technical Assistance
MDPI	:Management Development and Productivity Institute
MLG	:Ministry of Local Government
NDPC	:National Development Planning Commission
NGO(s)	:Non-Governmental Organization(s)
PAMSCAD	:Programme of Action to Mitigate the Social Costs of Adjustment
PNDC	:Provisional National Defense Council
RCC	:Regional Coordinating Councils
TA	:Technical Assistance
UNDP	:United Nations Development Program

# DECENTRALIZATION IN GHANA

## I. INTRODUCTION

In 1988, the Government of Ghana (GOG) initiated one of the most ambitious decentralization programs in West Africa. Under this program, significant powers and responsibilities were transferred from central to local governmental units, thereby reversing a three decade long trend of gradually escalating centralization. By undertaking this program, the GOG committed itself to shifting the locus of decision-making on local-level development from the center to the periphery, thereby placing in the hands of Ghanaians the capacity to decide on the issues which impinge most directly upon their daily lives.

## II. LOCAL GOVERNMENT IN GHANA

### A. Historical Overview of Local Government

Traditional Ghanaian decision-making systems, though autocratic in most respects, have always contained elements of participatory decision-making. This aspect of traditional political life is best symbolized by the custom of communal discussions of major issues in public fora leading ultimately towards consensus. In the colonial era these traditional systems co-existed with the more centralized system imposed by the colonial power and they have persisted, albeit in altered form, up to the present.

The transition from colony to nation-state and the creation of a powerful central governmental entity in 1957 did not result in the disappearance of local-level decision making units; it did, however, usher in a period during which the fortunes of local government waxed and waned. From 1951 through 1988, the structure of local government underwent a marked series of transformations: the number of levels or "tiers" of government were increased or decreased; the number of local governmental units were augmented or diminished; the procedures for selecting local government representatives were altered (e.g. by election, by appointment, representation by traditional authorities), and the powers assigned to the local level were expanded or contracted.

The fortunes of local government varied in response to the policies of the government in power, and structural changes in local government were normally presaged by the creation of special commissions or assemblies which were given the mandate of studying and proposing reforms in local government. Commissions which helped to lay the foundation for the present system of local government include: The Greenwood Commission 1957; The Regional Constitution Commission 1958; the Mills-Odoi Commission 1967; the Siriboe Commission 1968; the Akuffo Addo Commission 1969; Okoh Commission 1974; and the Constituent Assembly 1979.

Although the structure and powers of local government underwent extensive changes in contrasting directions during the post-Independence period, the long-term trend was one of deterioration in local government quality and capacity. Local governments were unable to provide their constituents with basic services and earned a reputation for corruption and gross inefficiency. Factors contributing to the overall decline included: the frequent changes in political regimes (ten in all); lack of commitment to decentralization (as demonstrated by the transfer of responsibilities to local units without the accompanying means and by the continued reinforcement of regional and central units); the failure to implement the more salutary reforms recommended by the various commissions; and the gradual drying up of resources and manpower associated with the collapse of the larger economy in the seventies and early eighties. By 1981, when the present government, the Provisional National Defense Council (PNDC), assumed power, local government units were essentially non-functional.

#### B. The Decentralization Rationale

The decision to decentralize is usually based on a combination of reasons. The most commonly encountered rationales include: more efficient and responsive provision of basic services; more realistic plans for local development programs and projects; more efficient location of facilities within communities; more accurate assessment of the relationship between revenues and costs; reduction in the red tape usually associated with the inflexible procedures of highly centralized governmental structures; increased input of local populations in all aspects of local planning and development; and greater representation for diverse groups in the decision making process.

Ghana's decentralization program, proposed by the PNDC, and embodied in PNDC Law 207, sought to replace "farcical decentralization" in the words of the PNDC Secretary for Local Government, Kwamena Ahwoi, with true decentralization. The primary reasons invoked for undertaking the initiative were: political- to empower the people and render government accountable to the governed; and economic/spatial- to promote widespread economic growth based upon secondary cities and small towns as development centers, playing key roles in regional and national development.

Expressed in terms of decentralization theory, the newly instituted system would combine aspects of political, spatial and administrative decentralization, in that the responsibility for political decision-making, local-level planning, management, as well as raising and allocating resources were to be devolved by the central government upon autonomous, geographically balanced, local government units staffed primarily by elected officials.

While it is difficult to assert that any one of the reasons cited by the PNDC is more important than the others, it is essential to underline that political factors were probably the immediate cause of decentralization. After seven years of "provisional" government, accompanied by promises of a transition to an elected government, the PNDC, which had come to power with a mandate to wrest power from the corrupt, entrenched ruling classes and return it to the people, was under pressure to demonstrate its continued commitment to the eventual democratization of the system. The creation of elected local-level units was, for several reasons, the best way of fulfilling this promise. First, political decentralization placed a measure of political power in the hands of the rural and urban masses, the ultimate supporters of the PNDC, without significantly reducing the PNDC's hold on the Central Government. Secondly, decentralization could be regarded as the first step in a return to a democratically elected government, which would begin at the local level and end eventually at the national level. In effect, the PNDC's decentralization initiative can be regarded as a strategy for relieving mounting political pressure for change.

The decentralization initiative should also be considered within the context of the GOG's Economic Recovery Program (ERP). One of the central goals of the ERP has been the stabilization of the economy and the control of public expenditures. Under the ERP, the GOG has succeeded in transforming its inherited budget deficit into a surplus, in diminishing the level of inflation from three digit figures to two, and in registering positive economic growth. However,

these positive macro-economic gains have been accompanied by negative outcomes in certain sectors and for certain classes of individuals. Specifically, the urban and rural poor have experienced worsening living standards, as have civil servants made redundant by efforts to streamline the civil service.

The proposed decentralization program was expected to support the goals of the ERP by encouraging fiscal and macroeconomic stability through improvements in the efficiency of the national tax and expenditure systems. It was also designed to reduce rural unemployment and to promote local and regional development through the rational choice of capital investments and development projects. Lastly, the program was intended to encourage the private sector and generate employment by providing critical infrastructure and services.

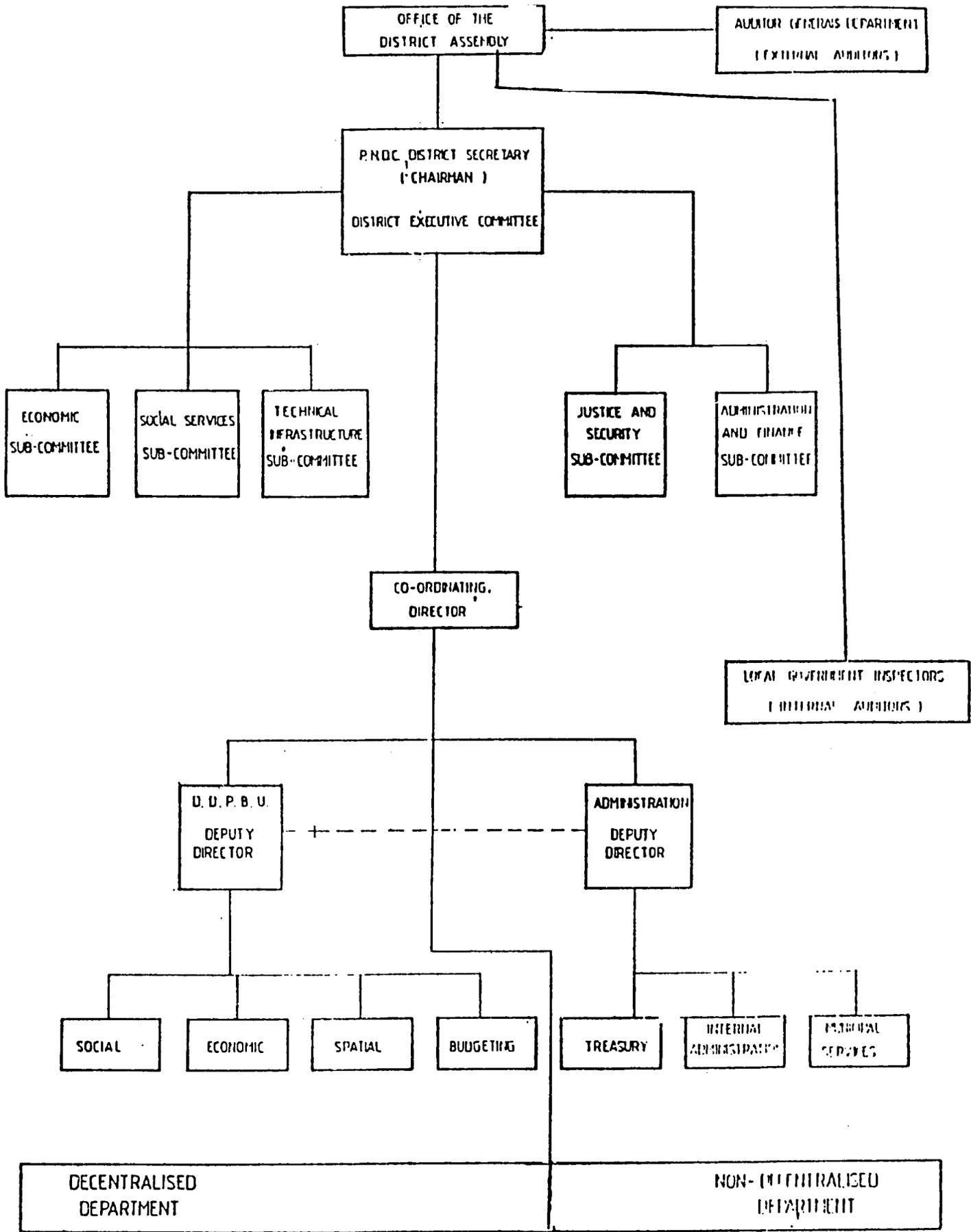
### C. The Structure of Ghanaian Decentralization

#### 1. District Level Government

The decentralized system created by the PNDC is a three tiered one composed of a regional level, a local or district level and a sub-district level. The key element in the system is the creation of 110 autonomous Districts (average population 127,000) to replace the existing 65 local government units. Districts are demarcated using demographic, geographic and economic criteria, and each District is governed by a District Assembly (DA), two thirds of which is elected by the district populace every three years, with the remaining third appointed by the central government.

The DAs, which are the basic political authority, deliberative, legislative and consultative bodies within the District, have been given 87 specific functions. They are responsible for the formulation and implementation of local development plans and the fabrication of district level budgets. They provide essential services and basic infrastructure to their constituents and carry out a wide range of socio-economic activities. The DAs also have the power to make bye-laws related to the exercise of their functions.

Finally, the power of the DAs has been substantially increased through the fusion of decentralized departments and organizations, located at the District level, with the DAs to create a single integrated system of administration. To date, twenty-two decentralized departments covering a wide array of critical sectors and services (e.g. health, education, town planning, public works, highways, feeder roads, agriculture & extension services, controller and accountant general, fisheries, forestry etc.) have been "integrated" into the District-level administration, and placed under the control of the DAs.



The administrative head of the District is the District Secretary, who is an appointee of the national government and is assisted by the District Administrative Officer. Executive power is exercised by an Executive Committee, established by the DA, composed of not more than one-third of the assembly members, and chaired by the District Secretary. The Executive Committee is serviced by five or more sub-committees. Obligatory committees include: Economic Development, Social Services, Technical Infrastructure, Justice and Security, Finance and Administration. An additional unit is the District Planning and Budgeting Unit (DPBU) which is responsible for the formulation of District plans and budgets. Assembly meetings are chaired by a Presiding Member who is elected from among the members. The Presiding Member is not permitted to attend sub-committee meetings to avoid possible conflict of authority with the District Secretary. (See Attached Organizational Chart)

At the sub-district level, the lowest tier, Town or Area Councils and Unit Committees may be established by the District Secretary, upon the recommendation of the DA and with the approval of the PNDC. The powers and functions of these units are to be specified by the DAs. A number of DAs have submitted recommendations to the PNDC for the establishment of Town or Areas Councils and Unit Committees; however, none have been officially established to date.

## 2. Regional Level Government

The third and highest tier of the local government system is located at the level of the Region. Ten regional structures (one per region), known as Regional Coordinating Councils (RCCs), function as coordinating and reviewing units, as opposed to controlling units- the previous function of regional bodies. The Region is headed by a central government appointee: the Regional Secretary. Also present at the regional level is a Regional Administrative Officer, appointed by the PNDC on the recommendation of the Public Service Commission, and representing the Ministry of Local Government (MLG) which is the supervisory ministry for sub-national government units.

The RCC is a deliberative body composed of: the Regional Secretary, who functions as chairman; deputy Regional Secretaries, who serve as ex-officio members; all District Secretaries in the Region; and Presiding Members of the DAs in the Region. The principal functions of the Regional Council are: to coordinate and harmonize the plans and programs submitted by the DAs with national development policies; to create integrated regional plans; to monitor the implementation of plans and programs within the Region; to review and coordinate public services within the Region.

It should be noted that the role of the Regional Councils is an extremely circumscribed one, limited to reviewing, monitoring and coordinating activities, as compared to the role of the Districts which initiate, decide and implement. The subordinate position of the Regions in the decentralization schema is underlined by the very location of the section on the Regions in PNDC L207, where, as pointed out by the Secretary of Local Government, Regional functions are described after those of the District.

There are a number of reasons for this configuration. PNDC spokesmen explain the distribution of power as an attempt to avoid a common error made in earlier decentralization attempts. In previous instances, regional government units were given wide veto and discretionary powers over the local governmental units. The result was counterproductive for decentralization since it involved the insertion of yet another powerful decision-making layer between the top and the bottom. By truncating the power of the Regional Councils, this current decentralization effort makes the Districts, which are closest to the people, the next relevant decision-making units after the central government.

A second, less altruistic reason for weakening the Regions is offered by other observers. According to this explanation, strong Regions constitute a potential source of political competition with the Central Government, above all in those regions where a single powerful ethnic group predominates. Hence, by diminishing the power of the Regions, and dispersing it among the Districts, the Central Government reduces possible sources of challenge to its authority.

### 3. Central Government and Decentralization

As the paramount political and administrative power within the nation, the Central Government retains important reserve powers which permit it to review and sanction the lower levels in those instances when the Districts or Regions abuse their powers.

The control powers of the Central Government over the Districts and Regions are exercised, above all, through the Ministry of Local Government (MLG) which is the designated supervisor of local government functions. It is the MLG which reviews and approves bye-laws and development plans, provides technical assistance and monetary support to the lower levels, and represents them in their dealings with other ministries. In budgetary, and to a great extent in planning matters, it is The Ministry of Finance and Economic Planning which interacts with and supervises the Regions and Districts.

The final central-level entity with noteworthy supervisory powers over local-level government is the newly-formed National Development Planning Commission (NDPC). The role of the NDPC is to coordinate the development of long, medium and short-term National Plans, and to oversee the inputs of the Districts, Regions, and to a limited extent, the sectoral ministries, into the National Plan, thereby ensuring broad-based participation in national development planning.

On paper, the powers of the NDPC are impressive, and its role in molding national development appears preponderant. On the other hand, it is a newly formed entity which has been given functions previously held by older more powerful institutions, (e.g. the Ministry of Finance and Economic Planning), and whether or not these functions will eventually be relinquished to the NDPC is hard to say.

The NDPC has only just completed the initial phase of its first planning exercise. It would therefore be prudent to wait for the termination of this exercise before attempting to assess the true extent of the power and eventual impact of this body upon the GOG's decentralization program.

## II. CONSTRAINTS ANALYSIS

### A. Key Constraints to Decentralization

There are a number of major constraints to the achievement of successful decentralization in Ghana. These constraints are closely inter-related, and efforts aimed at diminishing or eliminating any one constraint should ultimately contribute to diminishing others. The chief constraints currently operating include: a shortage of skilled manpower; insufficient financial resources; a paucity of infrastructure; and, a lack of political will and coordination.

#### 1. Manpower Constraints

A drastic shortage of manpower is believed, by many knowledgeable observers, to be the single greatest obstacle facing decentralization today. The creation of 45 new local level units, bringing the total to 110, means that new administrative units must be created where none existed previously. The transfer of new and important responsibilities to the local level also means that additional staff must be assigned to all 110 Districts, and requires, furthermore, that these staffers have a fairly high degree of technical expertise and/or administrative ability. Finally, given the fact that

the geographic area covered by many decentralized departments are not coterminous with many of the new Districts, a number of Districts do not have representatives of all of the 22 decentralized departments to integrate into their administration.

At present, Ghana has neither the required number of trained individuals, nor the capacity to train the needed personnel. For, although a number of management and technical training institutions exist- the School of Public Administration of the University of Ghana, the Department of Planning of the University of Science and Kumassi, the Ghana Institute of Management and Public Administration (GIMPA) and the Management Development and Productivity Institute (MDPI)- they do not produce enough graduates each year to man all three levels of government; moreover, the training they provide is not tailored to fit the specialized needs of Regional and District-level technicians and managers.

To date, 34 Districts do not have a District Administrative Officer- the number two position in the District administration. At the lower levels, the number of vacancies is even greater. Perhaps the most vivid illustration of the failure to meet upgraded staffing requirements appears in the District Planning and Budgeting Units (DPBU) which are supposed to develop the annual composite budget, described as "...the aggregate revenue and expenditure of all departments and organizations under the District Assembly, and the District Administration, including the development plans and programmes of the departments and organizations under the assembly." This is a critical task since the District-level plans are the foundation of the National Development Plan and the Public Investment Plan. This is also a complex task requiring sophisticated planning and budgeting skills that are currently in short supply in Ghana. As an interim solution, the GOG, with donor assistance, has created ten "mobile planning units" to service the Districts. But at present, none of the Districts has a fully staffed DPBU, and thirteen have none at all.

Lack of manpower is but one aspect of the problem of staffing at the District level. Another surrounds the nature of the relationship between the DAs and the agents of the decentralized departments working in the Districts. As things presently stand, agents of decentralized departments, are hired, remunerated, assessed, promoted and assigned by the central branches of their departments or organizations. Not surprisingly, their principal allegiance is to the center and not the DAs. In general, these agents are loth to obey and, in some instances, to cooperate with the DAs, despite the fact

that they are now legally a part of the district administration. The inputs of these agents are particularly critical in budgeting exercises where their estimates of recurrent and development expenditures for their individual departments are primary inputs into the formulation of the District Composite Budget.

DAs routinely decry the lack of cooperation of these agents whom they accuse of ignoring them or of trying to sabotage their programs. The agents, in turn, cite the difficulties involved in dealing with incompetent and sometimes corrupt DA members and express fear of being left at the mercy of local politicians.

Serious conflicts also arise between the District Secretary, the senior government appointee, and the Presiding Member, the senior elected official, over the exercise of authority within the District. Each tends to feel that his/her position should be the dominant one within the District, and that the other is encroaching upon his/her territory. In some Districts, the situation has deteriorated to such an extent that the ability of the DAs to function effectively has been seriously impaired.

## 2. Financial Constraints

Financial constraints on decentralization are no less onerous than manpower constraints. After two years of decentralization, it would appear that Districts lack the capacity to perform the financial functions assigned to them: to prepare and implement District Composite and Assembly Budgets; and, to raise adequate revenues to permit the provision of basic services and necessary capital investments. In effect, despite declarations to the contrary by representatives of the GOG, the establishment of effective local government units appears, as it has in previous decentralization attempts, to have been undermined by the assignment of financial responsibilities unaccompanied by the necessary means.

Under PNDC Law 207, Districts obtain their financial resources from six primary sources: (a) local taxes (including "ceded revenues" defined as five Central Government revenue areas which are being ceded to the Districts); (b) borrowing within Ghana for investments- using revenue potential and properties of the DAs as collateral; (c) investment income; (d) Central Government Grants; (e) revenues collected by the Central Government on specified natural endowments and shared with others; (f) Central Government financial transfers into the Districts.

An important source of funds for the Districts is local taxes which the DAs have the power to set (within specified guidelines), collect and utilize at their own discretion. These include property rates, fees (for such facilities as markets and lorry parks), licenses, the basic rate or head tax, user charges for services etc.

Table 1

Local Government Revenue for all Regions  
(in millions of 1988 cedis)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Taxes	135	321	640	645	512
User Charges	427	662	920	825	788
Licenses	63	145	212	194	163
Other	184	253	358	1168	385
Total Own Revenues	<u>809</u>	<u>1382</u>	<u>2130</u>	<u>2833</u>	<u>1848</u>
Central Govt. Grants	779	1138	1110	1236	941
Total Revenues	<u>1588</u>	<u>2520</u>	<u>3240</u>	<u>4069</u>	<u>2789</u>

Source: Ghana: Fiscal Decentralization World Bank, 1989

Between 1984 and 1988, revenues raised by local government units averaged 61% of total local government revenues. The contribution of various local revenue sources is as follows: taxes (including property) 15%, fees (including business taxes) 26%, licenses 5.4% and other 15%. With the exception of 1988, when there was a decline, revenues raised by local governments have tended to rise in the 1984-1988 period. (See Table 1)

The amount collected for different types of fees and taxes within a District is a function of a combination of geographic, demographic and environmental factors. In highly urbanized Districts, such as Accra and Kumasi, the property tax provides a high intake. A property revaluation in Accra in 1986, resulted in a ten-fold increase and made the property tax the major source of locally generated income. Revaluations in other large metropolitan areas such as Secondi-Takoradi and Tema are expected to produce comparable increases in this tax.

In other more rural Districts, such as those located in the Northern, Upper East, Upper West and Brong-Ahafo, returns from the property tax are extremely low, running less than one-tenth that of the market tax which is the key revenue producer.

Although collection levels for local taxes and fees have been rising steadily, they are still relatively low. At the same time, they are generally considered to be the revenue source with the greatest potential for increase- given the direct and transparent relationship between the provision of a service and the payment of a service fee. The assumption is that DAs, as locally elected bodies, are in an ideal position to estimate appropriate service levels, gauge the community's willingness and ability to pay for said service, assess local government capacity to provide the service and collect the highest practicable fee. A second reason for counting on local taxes and fees as a revenue mainstay is that their performance can be greatly enhanced by the application of some fairly simple reforms in collection and management practices. Reforms which could produce higher returns include: better assessment of the contribution capacities of taxes and fees; careful monitoring and control of collections; institution of incentives and sanctions for collectors etc.

Despite the fact that the prescription for augmenting revenues from local taxes is rather straightforward, Districts have generally been unable to take the necessary steps to bring about adequate increases in this income source. The primary cause for this failure is lack of managerial capacity; however, this can be compounded by insufficient political will in instances where changes would create losses for powerful local factions.

At the same time, many Districts, suffering from an acute shortage of funds, have taken a number of other, frequently unwise steps, to augment their revenues. Some Districts have become active in economic enterprises such as: running bus lines, operating factories, buying commodities at controlled prices and selling them to the public at a markup. These activities are frequently of dubious economic value since the earnings from them often barely cover costs. Furthermore, these enterprises place the public sector in a competitive relationship with the private sector, rather than in an enabling one.

Other Districts, in their search for revenues, have imposed new, and generally inappropriate, taxes on diverse items such as: food leaving the district, bicycle registration, and on non-indigenous herdsmen working locally. Since collection costs for these fees tend to be very high, (e.g. the wages of the collectors accounting for 10% of the revenue collected) the resulting returns have been minimal. Moreover, the public response to these taxes has been outrage and condemnation, accompanied by a decrease in public support for the concerned DAs.

Aside from local taxes and fees, Districts count on grants and transfers from the Central Government to fill their coffers. Between 1984 and 1988, Central Government Grants averaged 39% of total local government revenues while own revenues accounted for 61%. These figures are misleading however, since they are distorted by the impact of large tax inflows from the major regional capitals, especially Accra and Kumasi, and by "one time" inflows or windfalls in individual Districts. If these distortions are eliminated, the Central Government contribution to the District budgets falls to between 45% and 50%.

According to a 1989 World Bank study of Ghanaian Fiscal Decentralization, Grants to Districts, received from the MLG, presently range from 4 to 10 million cedis per year per District. The same study observes, however, that the criteria for allocation of Central Government Grants is not readily apparent. Thus in 1988, Central Government Grants represented 5% of the share of the revenue of local governments in the Upper East region as compared to 60% in the Central Region. In the same year, Central Government Grants fell between 30% and 43% of the total revenues of local governments in the other regions. In addition to being calculated by unclear criteria, the arrival of Government Grants at the District level tends to be erratic. Thus, Districts are not in a position to estimate how much they are likely to receive, or when, and are unable to make rational plans for the utilization of these resources.

Ceded revenues (the income from five revenue areas ceded to Districts by PNDC L207), for all Districts, amounted to approximately 273 million cedis in 1988 or an average of 2.5 million cedis per district. More recently, the Government has added the revenues from two other tax areas in an attempt to augment ceded revenues. Unfortunately for the Districts, revenues from ceded taxes are volatile and do not yield sufficient revenues to close the fiscal gap of local governments; hence, a number of Ghanaian and foreign observers have proposed assigning a fixed percentage of the total tax base to Districts, rather than selected taxes in order to "... maximize the flexibility of the system and share revenue shortfalls equitably between Central and local governments." (Ghana: Fiscal Decentralization, World Bank, 1989)

There are a number of other types of Central Government Transfers to Districts. They include: (a) the interim arrangement, dating since 1985, whereby the Central Government pays 50% of the salaries of workers of the Assemblies; (b) the funding of the recurrent and development budget of the 22 decentralized departments; (c) the provision of fully paid managerial and technical personnel (e.g. the District Secretary and Administrative Assistant); and (d) funding of capital projects within the Districts.

Regrettably for the Districts, a number of these transfers cannot be counted on as long-term sources of income, given that plans are afoot to alter the salary and budgeting arrangements which currently provide these funds. (e.g. the Government is planning to stop paying the salaries of workers of the Assemblies altogether.)

Three other sources of income- borrowing, investment and shared revenues from natural endowments- are negligible as sources of income for Districts. At present, there exists no entity, such as a Municipal Development Bank or Fund, to which the Districts can turn for a development loan. Moreover, Districts do not yet appear able to formulate bankable projects (i.e. possessing the assurance that the project will generate sufficient income to repay a loan) that would attract financing from a commercial bank inside or outside of Ghana. Thus, while it is true that the corporate nature of District makes borrowing a possible future source of income, it has not yet been operationalized. In a similar vein, most Districts have not made income bearing investments and do not now appear in a position to do so.

A primary objective of the decentralization initiative was to increase the availability of public goods and services in Districts. Logically, such an increase implies more capital expenditures at the District level, financed either by the Central Government or by the Districts themselves.

Table 2.

<u>Breakdown of Government Expenditures</u>						
<u>by Category, 1984-1988</u>						
(rounded to the nearest percent)						
	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>TOTAL</u>
<u>Districts</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Wages	86	63	55	59	60	65
Non-Wage recurrent	--	22	22	25	26	--
Capital	14	15	23	16	14	16
<u>Central Government</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Wages	27	39	51	46	44	41
Non-Wage recurrent	52	35	25	24	24	32
Capital	21	26	24	30	32	27

Source: Ghana: Fiscal Decentralization, World Bank 1989

With the exception of 1986, annual capital expenditures in Districts in the 1984-1988 period have averaged in the neighborhood of 15% of their total expenditures. However, once again, this figure is misleading since the more developed urbanized districts devote a larger percentage of their budgets to capital expenditures than those in less developed rural areas where, ironically, the need for capital investments in support of development is demonstrably greater. To illustrate this point, capital expenditures averaged 13% in the Accra Region between 1984-1988, compared with 6% in the Upper West Region and 3% in the Northern Region during the same period of time. It should also be noted that the sums under discussion are fairly small, e.g. in the Northern Region, the average annual capital investment was 3.4 million cedis or less than ten thousand dollars per year. This means that the items being provided are small: school rooms, market stalls, and sanitary units and of modest developmental impact.

With rare exception, District capital expenditures are financed predominantly out of the District's own resources and not out of Central Government transfers. It therefore behooves the Districts to increase their local resource generation capacity if they wish to increase their level of capital investments. Alternatively, the Central Government must increase the level of transfers for capital investments at the District level if it is seriously committed to local development.

In sum, despite the apparently wide variety of income sources, Districts have generally exhibited low resource mobilization capacity. Their poor financial performance is best exemplified by their inability to invest an adequate proportion of their resources in infrastructure and other public goods, to provide adequate levels of urban services and to reduce their large fiscal gaps. The result has been an erosion in public confidence in the management capacity of District authorities, which, in turn, has had a negative impact on their ability to mobilize resources.

Commentators on the issue of the financial performance of DAS agree that the crux of the problem can be traced back to the failure of the GOG to adequately investigate the economic viability of the Districts before creating and inaugurating them. It would not be overstating the case to say that unless drastic corrective actions are taken, the financial situation in the Districts will undermine the integrity of the entire Decentralization Program and doom it to failure.

### 3. Infrastructure Constraints

A third constraint to decentralization is the paucity of infrastructure at the District level. Almost all of the new Districts, and the many of the old, lack the facilities needed to properly install their bureaucracies. Of immediate concern to the MLG and the DAs are the lack of buildings to serve as District offices for the DAs and their support staff and the unavailability of essential items such as furniture, office equipment, office supplies and vehicles.

Many Districts do not have adequate accommodations or transportation for their District Secretaries and Administrative Officers, or for other technical staff. The result is that individuals assigned to these materially disadvantaged Districts are unable or unwilling to take up assignments, and the Districts are left without key personnel.

In addition to infrastructure associated with the District bureaucracy, many Districts lack basic infrastructure that is essential for local economic development. There is a critical scarcity of paved roads, electricity, transport depots, covered markets, commercial and artisanal centers. Also in short supply are the schools, health centers, sanitary units and potable water supplies needed to ensure a healthy, educated populace.

As a rule, the Districts which exhibit the most acute shortage of infrastructure are located in the North, and are precisely those which lack the financial resources needed to correct the situation. Hence a cycle is set in motion in which lack of resources results in lack of infrastructure and personnel, which, in turn, limits the capacity to generate resources.

### 4. Political Will and Coordination

As Ghana itself has demonstrated on numerous occasions in the past, the key to successful decentralization is political will. The country's history is awash with failed attempts to set up a functioning local government system, as attested to by the numerous Commissions created to study local government in the fifties, sixties and seventies and the flood of recommendations they produced. Highly placed PNDC members have publicly observed that, the unwillingness or inability of previous regimes to implement these recommendations, was the major factor contributing to the failure of previous decentralization initiatives.

The prevailing situation in Ghana is analogous to those which have occurred in the past. Once again a comprehensive framework for decentralized local government has been formulated, and verbal commitments to the program have been expressed by the highest political authorities. And once again, implementation of the decentralization program will require the enforcement of some difficult decisions and will entail significant political risks.

For the decentralization program to work, firmly entrenched central bureaucracies, which have exercised comprehensive powers since Independence, will be required to divest themselves of a large portion of their power, in favor of the Districts. In specific terms, Ministries and other central units must hand over human and financial resources and related decision-making prerogatives to local units. Unless the present regime is serious about enforcing policies such as the deconcentration of sectoral ministries and the ceding of Central Government revenues to Districts, decentralization will not take place.

Already, there has been a discernible reluctance on the part of the sectoral ministries to set about the task of internal reorganization, despite the promulgation of deadlines by the PNDC. There has also been foot-dragging by the Central Government, above all the Ministry of Finance, in acknowledging and implementing proposals on fiscal decentralization. Three years since the passage of PNDC Law 207, the Town or Area Councils and Unit Committees have not yet been established. After two years of discussions, the national planning process, operating under the aegis of the National Development Planning Commission, is just getting underway. Other examples of bureaucratic lethargy associated with implementing decentralization abound.

In marked contrast to the apathy of the central bureaucracy, has been the enthusiasm of the general population in support of the decentralization program. Ghanaians, at the grass-roots level, have welcomed decentralization and all that it implies. They have voted for their representatives, presented themselves for office and exhibited an intense interest in all aspects of the implementation of the system. Even in those instances where the DAs have made unpopular decisions, (e.g. the imposition of new taxes), there has been a willingness on the part of the population to suspend judgment on the worth of the overall system, and to continue to support the government's initiative. At the same time, political goodwill is a finite commodity, and it would be unrealistic to assume that popular support will continue indefinitely in the face of serious setbacks and half-hearted implementation efforts.

On a more practical level, implementing decentralization will require monumental coordination between the Central, Regional and District levels of government and the decentralized departments. The avoidance of serious disjunctures in the operations of key sectors and setbacks in the ERP, will necessitate detailed planning, the formulation of synchronized implementation schedules and rigorous management. Only the unequivocal support of the decentralization process throughout the entire political system and a convergence of efforts at all levels can bring about the hoped for changes.

In sum, should the government prove unable to deliver the level of autonomy and the type of socio-economic benefits it has promised to the Districts, then the specter of doubt will be raised vis-a-vis its commitment to "increased grass-roots participation". More importantly, the sincerity of its commitment to creating a democratic system of government at all levels will be called into question.

#### E. Efforts to Address Key Constraints

Ghanaian decision-makers are fully aware of the obstacles to decentralization. They are equally aware of the fact that the passage of time will erode grass-roots support and undermine their capacity to successfully implement the program. Efforts are therefore underway on a number of fronts to move from rhetoric to action.

##### 1. Studies, Workshops and Legislative Adjustments

Almost three years after the passage of PNDC Law 207, it has become clear that additional information is necessary before a number of critical decisions can be taken and implemented. Nowhere is this more apparent than in the domain of fiscal decentralization where questions to be resolved include:

- How should central Government Transfers to Districts be carried out: by ceding specific revenue areas/taxes or by transferring a fixed proportion of total Central Government revenues?
- Should a Development Fund for Districts, capitalized by Central Government Grants and Transfers and donor inputs, be created, or should Districts be permitted and encouraged to take loans from commercial banks?

- What sorts of inputs should sectoral ministries make to the development of composite budgets at the District level and at what stages of the budgeting process should these inputs be made?
- What criteria should be used for distributing Central Government transfers to the individual Districts?

Equally critical staffing decisions need to be made:

- Should two separate civil services be created, one for District employees and one for Central Government employees, or should a unified civil service be retained?
- How much input should Districts have in the selection, assessment, promotion etc. of personnel, including representatives of decentralized departments, working at the District level?
- What are minimal qualifications for different categories of District employees?

To generate the data necessary to take the above decisions, the GOG has commissioned studies, usually with donor financing, or created commissions to examine key issues. The current list of studies include:

1. Fiscal Decentralization; World Bank (1989)
2. Revenue Generation and Sharing; Independent Consultant (underway)
3. Appropriate Mix, Nature and Level of Local Taxes on Business Activities; Independent Consultant (upcoming).
4. Civil Service Reform; In-house Commission (underway)

Clearly, the above list is neither exhaustive or definitive. On the contrary, Ghanaians involved in the decentralization process, in both the public and private sector, are aware that further studies and proposals will be needed as the decentralization process unfolds and new problems and issues emerge. They have also expressed the need for donor assistance in carrying out decentralization-related studies. The GOG has specifically requested donor financing for decentralization studies, (by Ghanaian consultants where such expertise is available); however, support in other forms, such as expert expatriate consultants, would also be welcomed.

Another major forum for reflection on decentralization issues is the Annual Seminar on Decentralization, financed by the French Embassy and co-organized by the MLG, the University of Ghana's School of Public Administration, and the Ghana Institute of Management and Public Administration (GIMPA). All of the key actors in the decentralization drama (officials from the Central Government and the Districts, professors from the universities and schools of administration, researchers, consultants, etc.) participate actively in this seminar-preparing papers, chairing discussions and proposing solutions.

The importance of this seminar as an implementation tool is demonstrated by the proceedings of the Fourth Annual Seminar (held in October 1990), where almost all of the key constraints and issues discussed above were clearly identified and discussed. In addition to these seminars, smaller workshops and discussion groups on decentralization are held from time to time, with or without donor assistance, and are also a source of usable inputs.

The Annual Seminar on Decentralization and other workshops are important policy formulation and implementation mechanisms. They help create consensus among key decision-makers on the issues that must be dealt with and to establish the relative priority of these issues. They also result in the identification of areas requiring studies, the creation of national or regional commissions on key questions, and sometimes in legislative action. Their greatest value, however, is that they provide an occasion on which high government officials publicly go on record as being aware of specific problems in the system and of being committed to making needed changes. The fact that these same officials will encounter the same group of seminarists the following year provides motivation to make certain that some attempt has been made to ameliorate the situation in the interim.

The final GOG effort to address constraints on decentralization is through legislation. In the wake of reflection, there has been a realization that, despite the best of intentions, many sections of PNDC Law 207 are not sufficiently detailed. There are numerous instances where the law is unclear or does not address issues that have arisen. Based upon the findings and recommendations of studies, seminars, workshops etc, the GOG is in the process of providing the "missing links" in this body of legislation.

## 2. Bilateral and Multilateral Donor Assistance

Bilateral and multilateral donor assistance in the area of decentralization takes two forms. The first is a comprehensive program created upon the initiative of the GOG as a means of providing relief to classes of individuals being unduly penalized by measures instituted under the ERP: The Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD). The second are programs and projects created by individual donors which impinge in some measure on the decentralization program.

### a. PAMSCAD

Programme of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD): The program which has had the greatest impact on Ghana's decentralization program is PAMSCAD. Its impact is attributable to three factors: the infusion of funds directly into the Districts to provide key infrastructure and employment; a recognition of the importance of community initiative as a means of mobilizing and pooling resources and labor to aid in project implementation; the assignment of project identification, assessment and management tasks to District-level structures.

PAMSCAD was created upon the initiative of the GOG as a means of providing assistance to those groups that were hardest hit by the measures instituted under the Economic Recovery Program: low-income and unemployed urban workers, small farmers and retrenched workers from the public and private sectors. PAMSCAD, which got underway in December 1989, is primarily funded by bilateral and multi-lateral donors, for a total of \$83 million. It is expected to be phased out in 1991.

PAMSCAD projects can be grouped under five rubrics: community initiative projects (\$12 million); employment generation projects (\$30 million); basic needs projects- water and sanitation, health, nutrition, shelter-, (\$15.6 million); and education (\$9.6 million).

The first group, community initiative projects, is located exclusively at the District level. The projects are implemented by special committees chaired by the District Secretaries and composed of representatives of decentralized departments and other concerned individuals. They are intended to provide financial and institutional support mechanisms for local initiative and to enable communities to undertake activities that provide infrastructure, generate employment and assist the poor.

Major project selection criteria for community programs are: a strong poverty focus; a high social and economic rate of return; ease and speed of intervention. Applications for projects go from the Districts to the regions for vetting. The Regions can approve project for up to \$500,000, those exceeding this amount must go to Accra for approval.

PAMSCAD is also the vehicle under which the ten "mobile planning teams" were created. These teams, which were mentioned previously, are intended to improve District-level planning and budgeting skills, to strengthen community participation skills and provide assistance in project implementation and evaluation. Funding for these teams are provided by the UNDP through PAMSCAD.

PAMSCAD, which was supposed to be a short-term measure, is slated to be phased out in 1991. The intention is to place the un-utilized funds and uncompleted projects under the umbrella of the Public Investment Plan, thereby increasing the overall coherence of national planning and investment activities.

b. Other Donor Programs

Given the relative newness of the decentralization initiative, most donors have not yet developed programs and projects that focus specifically upon supporting decentralization. At the same time, many donors have programs which provide Districts with assistance, primarily in the form of infrastructure and community facilities. These projects, like PAMSCAD, serve to strengthen the socio-economic fabric of the Districts. They also improve the management capacity of DAs by assigning them project implementation and management responsibilities, and many donors have expressed the intention of increasing the role of the DAs in their future projects, at the expense of the Central Government bureaucracy. Donors which currently have Infrastructure Projects that directly or indirectly promote decentralization include:

World Bank: The World Bank's recently begun project, Urban II, is a 5 year, \$100 million project. Although the focus is upon the construction of primary infrastructure and housing in the major urban centers (Accra, Tema, Kumasi, Sekondi-Takoradi, Tamale), the project has several facets that are directly related to the decentralization program.

The project devotes \$1.4 million to municipal finance and revenue mobilization in the project cities. Activities will include financial management, property re-evaluation and tax reform- above all for the property tax, business tax and market fees. Given that project implementation will be closely monitored by the MLG, skills developed in these exercises should be transferable to other smaller urban centers to help improve revenue mobilization capacity.

The project also plans to spend \$2.5 million on strengthening the MLG. Under this component, a new Local Government Training Center will be constructed in Accra, and another, located in Tamale, will be rehabilitated. A training program for local government agents will be developed, including training of trainers programs to increase the supply of trained agents for the Districts. A Project Support Unit will be established in the MLG to advise and monitor project performance.

Finally, the Bank has financed a major study on Fiscal Decentralization (previously cited) for the GOG which provides extensive recommendations on implementing this key aspect of the decentralization program

United Nations Development Program (UNDP): Aside from financing "mobile planning units" under PAMSCAD, the UNDP is providing TA, equipment and financing to the Central Region to support local activities in the areas of tourist development, private sector promotion and sanitation. The UNDP has also set up a small pilot project in the Eastern Region as a precursor to setting up District-level micro-projects in support of grass-roots development in the same region.

European Economic Community (EEC): The EEC has a \$1.5 million two year Micro-Project which began in 1989. Located in three Districts, one in the Western Region and two in Brong-Ahafo, the project provides villages and towns with small-scale infrastructure (classrooms, clinics, markets, sanitary units, oil palm mills, hand-dug wells etc.). The cost of these items range from \$5,000 to \$135,000. The projects are implemented by the DAS with the Technical Assistance (TA) of Non-Governmental Organizations (NGOs). The participation of the community in both planning and implementation is required. Funds for projects are released directly to the Districts from the Ministry of Finance and Economic Planning.

The EEC, which judges this project a success, plans to undertake a second phase for \$5 million in twelve districts, also in the Western and Brong Ahafo Region. The proposed start-up date is 1991. The EEC envisages expanding the project into a third and possibly fourth phase with increased funding levels and wider coverage

Canadian International Development Agency (CIDA): CIDA has an on-going 20 year-long (\$C 60 million) Water Supply Project which constructs bore-hole wells in the Upper Eastern, Upper Western and eventually Northern Region. The project includes TA to ensure maintenance. Management of the wells will be entrusted to the DAS.

German Agency for Technical Assistance (GTZ): The GTZ has a Rural Water-Supply Project (approx. \$2 million), in the Eastern Region. The project finances the construction of wells and provides communities with TA and equipment to ensure proper maintenance. The GTZ also has a Micro Project (approx. \$400,000) which provides educational and religious institutions with funds to erect and rehabilitate community buildings.

### III. USAID DECENTRALIZATION STRATEGY

#### A. A.I.D. and Decentralization

##### 1. The DFA and Decentralization

The 1989-1991 Action Plan for the Development Fund For Africa (DFA) lists four strategic objectives. The first is directly related to decentralization: Improving management of African economies by redefining and reducing the role of the public sector and increasing its efficiency.

Decentralization, above all in its administrative and fiscal aspects, is an effective method of improving public sector efficiency. A decentralized system provides a less cumbersome, more flexible method of rapidly assessing and responding to public needs. It also promotes greater equity in the provision of key public goods to disadvantaged populations in that the overall level of service provision and infrastructure tends to rise under decentralized systems and fees charged for services are more reflective of what the public can truly afford.

Decentralization is also an important method of redefining and reducing the role of the public sector since it emphasizes the role of the community and the individual at the expense of the state in making decisions which have a direct impact on daily life. Finally, decentralization can help encourage the growth of the private sector by providing a more responsive environment in which to meet the particular service and infrastructure needs of local entrepreneurs.

## 2. The Democracy Initiative

The Africa Bureau's emerging Democracy Initiative unequivocally supports decentralization. The initiative directly addresses the Ghanaian experience when it seeks to build effective and democratic pluralistic institutions by "...assisting in the devolution of authority to lower levels in countries embarking upon new experiments with increased local control" and to "... assist nations in their efforts to create democratic systems consistent with their own traditions and customs."

Decentralization in Ghana presents a textbook case of the phenomenon and is by far one of the most ambitious programs in the region. The GOG has taken radical steps towards diminishing Central Government power, and equally aggressive steps towards augmenting local government control. By adopting a system of national integrated planning and composite budgeting, the program moves in the direction of another proposition espoused in the Democracy Initiative: greater public accountability- supported by the development of an integrated financial management system, encompassing all public sector revenues at the national level.

Whether or not Ghana's decentralization initiative will succeed, it is too early to say. On the other hand, one must acknowledge the enormity of the initiative and the enthusiasm of the populace for the program. Under these circumstances, it is appropriate for USAID to identify and adopt efficient ways and means of supporting an initiative that is in accordance with the objectives of A.I.D.

### B. Relationship of Decentralization to the Current USAID/Program Goal

USAID/Ghana's program goal for the next cycle is to increase employment and income among Ghanaians. To attain this goal the program will focus upon two objectives: improving the quality of the human resource base and promoting private-sector-led- export growth. The achievement of both these objectives can be assisted through successfully implemented decentralization, and conversely, the attainment of these objectives can serve to encourage effective decentralization.

## 1. Human Resource Base Improvement

To bring about an improvement in the quality of the human resource base, USAID will be underwriting major projects in Family Planning and Health (\$35 million), Primary Education (\$5 million) and Human Resource Development (\$35 million). These projects all aim at making available to the general population goods and services which upgrade health and education standards. A key factor in almost all of these programs is intensive coverage at the local level.

Under the GOG's decentralization program, District-level government is designated as the unit of government responsible for the planning and implementation of sectoral programs- including health and education. The integration of decentralized departments into the District administration means that programs and projects in these sectors will be influenced significantly by the planning and management capacities of the DAs. If the DAs and the relevant sub-committees have the skills, manpower and other resources to carry out their tasks, then the level and quality of coverage under human resource base projects will be greatly enhanced. If the converse is true, then the effectiveness of these projects will be equally compromised.

A second factor which is directly related to decentralization is community participation. An objective of the GOG decentralization program is an increase in the level of community participation in local development planning exercises and project implementation. In the course of the planning process, community members and their representatives in the DAs propose and help to prioritize local projects and activities. When projects require community inputs for implementation, it is the DAs which help to organize these inputs. In sum, the DAs are intended to function as mechanisms for seeking and consolidating local opinion, for harnessing popular support for projects and programs and for organizing community inputs at the project implementation phase.

Most human resource base projects require the sensitization and education of the target population. Therefore, in those instances where the DAs are capable of performing as planned, the level of community participation in those aspects of the program requiring intensive community participation can be significantly increased.

USAID's recently developed Primary Education Program recognizes the importance of decentralization and seeks to further its implementation through two conditions precedent which require: (a) the development of a decentralization plan of the Ministry of Education; and (b) the actual delegation of planning and implementing authority to the districts.

## 2. Private Sector Promotion

To promote its second objective, private-sector-led export promotion, USAID will focus directly on increasing the competitiveness of the Ghanaian private sector while taking steps to enhance the wider enabling environment in which the private sector functions.

USAID is cognizant of the fact that the devolution of government authority to regional and local governments is a way of improving the enabling environment. Decentralization helps to untangle the complex web of permits, authorizations, licenses, in a word, red tape, which surrounds the establishment and management of enterprises within a centralized system. It also eases the stranglehold of the central government on process of contracting and paying the private sector for services provided by private companies to regional and local governments.

As mentioned previously, a decentralized system is one in which the regional and local levels formulate development plans that deal directly with locally encountered problems. In consequence, infrastructure and services provided on a decentralized basis accurately reflect the demands of the local populace, and above all of the private sector. Finally, services tailored to local private sector needs reduce the costs of establishing and running a business and provide the impetus for expanding existing enterprises and creating others.

As part of its effort to promote private sector growth, USAID will seek to support decentralization in recognition of its critical role in improving the enabling environment. USAID's recently begun Human Resource Development Assistance Project is the cornerstone of this effort. The project will improve the GOG's capacity to comprehend and respond to the needs of the private sector at the local, regional and national level. It will also enhance the capacity of both the public and private sector to analyze the impact of government policies on private sector expansion and to formulate and implement programs and policies, such as decentralization, that nurture the Ghanaian private sector.

C. Towards the Formulation of a  
USAID Decentralization Strategy

USAID has already taken a number of steps to support the GOG's decentralization program. First, USAID was one of the first contributors to PAMSCAD. Secondly, current USAID projects contain components and conditions precedent that directly promote the implementation of the program. Thirdly, USAID is the sponsor of three studies, one completed and two upcoming, which examine decentralization in Ghana with an eye to providing the GOG with insights on implementing the program and to assisting USAID to formulate an effective decentralization strategy.

The first study, entitled Rural-Urban Linkages in Ghana, took place in late 1989 and examined the complex socio-economic linkages between five secondary towns and their surrounding hinterlands and analyzed their role in promoting the private sector and helping to increase agricultural productivity. It also focused upon the role of decentralized local government, specifically the newly elected DAS, in providing services and infrastructure to their constituents and assessed the capacity of the DAS to fulfill their assigned functions. The study outlined some of the major constraints on local-level private sector development and agricultural productivity and highlighted the problems encountered in establishing the new local government system.

The two upcoming studies will examine other aspects of decentralization. The first, which will be undertaken by a contractor for AFR/DP, is scheduled for the summer and will look at the effect of decentralization on key sectoral ministries and assess the impact of restructuring on programs and projects and on the delivery of services to beneficiaries. The study should provide USAID with a clearer understanding of the process whereby sectoral ministries are being decentralized and help USAID to define its role vis-a-vis the ministries and decentralized departments. The final study, scheduled for the fall, will examine Ghanaian public and private sector economic policy formulation capacity, above all as it impinges on the private sector and on local government. This study will also look at the evolving relationship between central and local-level government as the decentralization program enters a critical period of its implementation phase. The recommendations emanating from the above studies are expected to be the basis for the development of the Mission's decentralization strategy.

USAID realizes that, at the present juncture, the GOG is seeking answers to some critical questions engendered by its decentralization program. (See Section III, B,1). USAID is therefore planning to provide the GOG with short-term support in the form of technical assistance and studies that can provide answers to the questions being asked. USAID also intends to furnish assistance to the GOG in those instances where the implications of the assistance are clearly beneficial to and supportive of the program and will fulfill needs that have already been clearly defined. Examples of this type of assistance would be training to municipal level agents, technical and material support to training institutions.

Given the still fluid state of decision-making for a number of key aspects of the program, (e.g. in the area of fiscal decentralization), USAID feels it would be premature to specify decentralization objectives and targets at this time. USAID, does however anticipate that it will be in a position to prepare a preliminary decentralization strategy by the end of the current calendar year.