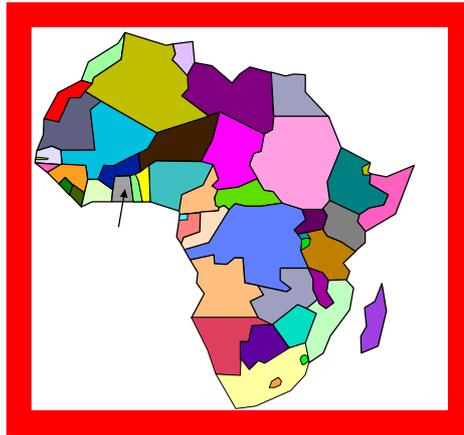


# **Fiscal Decentralisation and Sub-National Government Finance in Relation to Infrastructure and Service Provision in Ghana**



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## **MAIN REPORT**

A collaborative Study between:

**THE NATIONAL ASSOCIATION OF LOCAL AUTHORITIES IN DENMARK (NALAD)  
AND THE CENTER FOR DEMOCRACY AND DEVELOPMENT (CDD) GHANA**

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The availability of the data has been limited and the data in the annexes has to be treated with due caution. The report contains the view of the Team, which do not necessarily correspond to the views of the World Bank, USAID, Danida or the Government of Ghana.

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## CHAPTER ONE

# FISCAL DECENTRALISATION AND SUB-NATIONAL FINANCE IN SUB-SAHARAN AFRICA

### 1.0 Introduction

This Report describes and analyses the process of decentralisation from the centre to sub-national governments<sup>2</sup> in Ghana. The analysis examines the structure of local governments, the strategy and objectives of decentralisation, the experiences of fiscal decentralisation, infrastructure and service provision (ISP), the regulatory and legal framework for local governments and their institutional environment. The Study has been commissioned by the World Bank as a part of a regional project to study local governments and fiscal decentralisation in six countries of Sub-Saharan Africa: Zambia, Senegal, Ghana, Uganda, Swaziland and Zimbabwe.<sup>3</sup> This Report on Ghana, therefore, should be seen as only one of the components of a much larger initiative.

Decentralisation and effective devolution of responsibilities from central to strong sub-national governments can be an effective way to address service provision, economic development and the involvement of citizens and private investors in the provision of common goods. Decentralisation of responsibilities has been shown to increase the level and quality of public services and lead to a more efficient use of scarce resources.<sup>4</sup> Thus, many countries now seek to increase the extent of decentralisation through a variety of strategies. In this regard, many African countries are developing new systems of local government finance and methods of infrastructure services provision (ISP). They are also reforming their regulatory and institutional frameworks. This Project investigates the recent experiences in six Sub-Saharan African countries by ascertaining the degree to which they have realised their set objectives using specific decentralisation indicators.

The long-term objective of this Project is to strengthen the process of decentralisation within the region by bringing local governments closer to financial markets, strengthening the system of ISP and establishing effective and stable administrative and legal environments. The strengthening of human resources capabilities is seen as an important part of this process.

The immediate objective of this Project is to undertake an analytical and consultative approach to this subject in the six Sub-Saharan countries identified above. The results of this work are intended to provide useful new information and bring a greater degree of clarity and consistency to regional understanding of the requirements of

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<sup>2</sup> In this report, the terms '*local government*' and '*sub-national government*' are used to describe the level of governments below the central government. The type of sub-national governments varies from country to country; but, in all cases, emphasis has been placed on selecting authorities that, to some extent, are directly accountable to local populations through some kind of an electoral process.

<sup>3</sup> The countries have been listed in the order in which the research was undertaken.

<sup>4</sup> Chapter 3 in this Report pays more attention to some of the reasons behind decentralisation in Ghana.

decentralisation. This, in turn, is expected to lead to more efficient mobilisation of donor, public and private sector resources.

The main objectives of the Project, more specifically, are to:

1. Facilitate the *identification of priorities* within each of the case study countries regarding the appropriate systems, procedures and processes of decentralisation. The findings, including the identification of decentralisation indicators, will also allow the future monitoring of the extent and nature of decentralisation in the research countries. The data should make it possible to measure progress toward achieving the objectives of decentralisation in the participating countries in the future.
2. Foster *cross-national learning on best practises* within the field of decentralisation *vis-à-vis* ISP. The Study examines various models for decentralisation and alternative ways of providing and financing infrastructure and other local government services.
3. Support private and public investors, as well as the donor community, in the *identification of future needs and possibilities for investment* in infrastructure and service provision at the local level and in the identification of future projects within the field of administrative and human resource capacity building. This research, with its database of decentralisation indicators, should provide a valuable guide to potential investors and international development banks (IDBs) in promoting the emergence of a regional market. It is hoped that by using this database and resultant private and IDB infrastructure investment plans, bilateral donors and the countries themselves will be able to plan capacity building programmes more effectively.

The study focuses on “*decentralisation*”. The definition of decentralisation varies across countries and between actors within various countries. In the Study, decentralisation is defined as “*devolution*”<sup>5</sup> of power to independent sub-national governments that are given responsibilities for determining the level and the quality of service to be provided, the manner in which those services are to be provided, and the sources and types of funding for the delivery of those services. Decentralisation is seen as a gradual process where no countries are either fully decentralised or centralised. The study concentrates on the relationship between the central and the sub-national governments and not on the deconcentration or delegation of power within the central government system to regional or local agencies/offices.

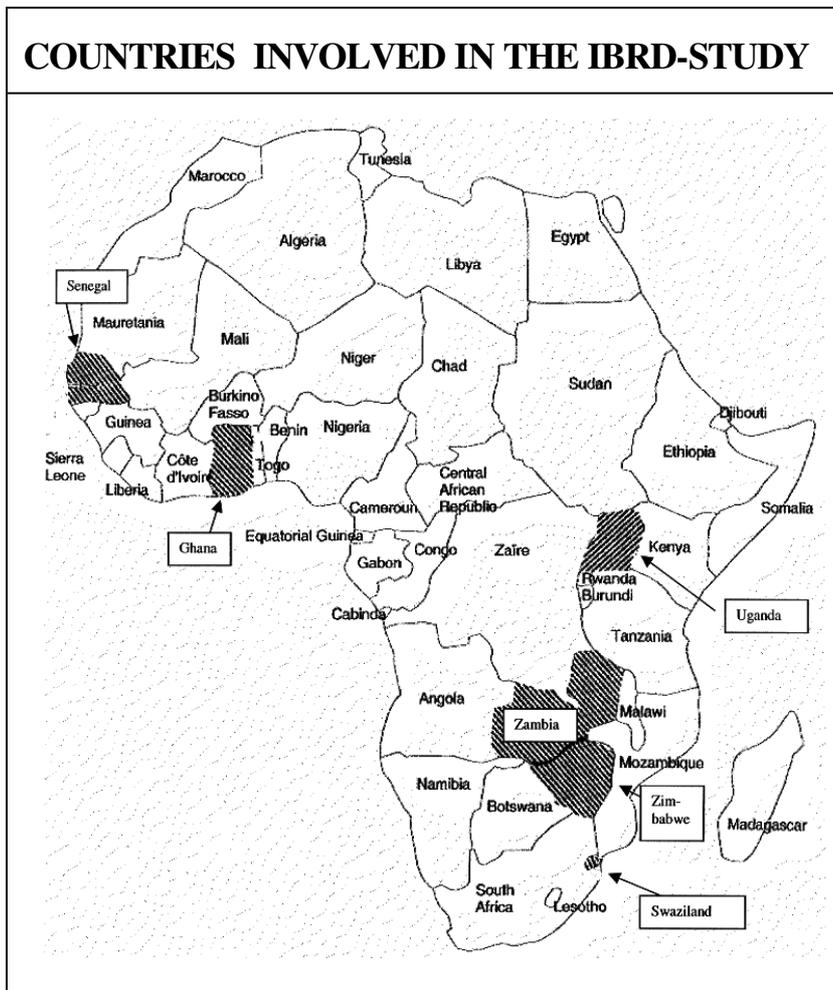
The study analyses the major elements of decentralisation from central to sub-national governments, e.g. fiscal, administrative (tasks and decision-making power) and personnel management (e.g. competence within the field of hiring and firing) decentralization.

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<sup>5</sup> This is in line with the definition made by Richard M. Bird, Robert D. Ebel and Christine L. Wallice (eds.), *Decentralisation of the Socialist State*, Intergovernmental Finance in Transition Economies, Regional and Sectoral Studies, World Bank, 1995, pp. 11-13. The term ‘devolution’ implies the transfer of responsibility and competence to democratically independent lower levels of government. This term is to be viewed as opposed to the term “deconcentration” that implies transfer of responsibility from central ministries to field officers at the local or regional level, thereby becoming closer to the citizens while remaining part of the central government.

## 1.1 The African Context

The Study comprises the six African Sub-Saharan countries (indicated below) selected for their expressed commitment to decentralisation of the public sector.



The Africa region is experiencing increased demand for infrastructure. This arises in part from rapid growth of rural and urban populations that require basic infrastructure for well-being and productivity. Well-functioning infrastructure is also a pre-requisite for productive investment and economic growth. In most African countries, fiscal resources are woefully inadequate to meet these demands, and/or the fiscal arrangements are not appropriate for this purpose. In addition, the structure of inter-governmental fiscal relations often does not provide adequate resources or incentives for improving infrastructure and services.

Decentralisation efforts in the African region are shifting much of the burden of infrastructure management and finance to sub-national levels of government. Many local governments are newly formed and lack the capacity to fulfil these

responsibilities, cf. the key-information in the following figure.<sup>6</sup>

<b>PROFILE OF COUNTRIES INVOLVED IN THE STUDY</b>			
<b>ZAMBIA</b>		<b>SENEGAL</b>	
<b>Population:</b> Total: 9.215 mill. (1996) Annual growth rate: 2.8% 15-64 years age: 5 mill. Above 64 years age: 3.7%	<b>Local Government (LG):</b> Year of recent LG-reform: 1991 No of levels of LG: 1 No. of LG: 72 Average Population: 128,000 Average staff: 1133 (1)	<b>Population:</b> Total: 8.534 mill. (1996) Annual growth rate: 2.5% 15-64 years age: 4 mill. Above 64 years age: 4.6%	<b>Local Government (LG):</b> Year of recent LG-reform: 1996 No of levels of LG: 2 No. of LG: 60 urban, 320 rural 10 regions Average staff: 474 (1)
<b>Geography:</b> Area: 762,000 sq. Km. Density: 12.1 inhab/sq. Km. Vegetation: High Plateau Savannah	<b>Public Finance (revenues):</b> Total revenue share of GDP: 21% LG revenue share of GDP: 0.8% <b>Sources of LG revenue: (97)</b> Own taxes: 21% Transfers: 3.4% Fees/charges: 23%	<b>Geography:</b> Area: 197,000 sq. Km. Density: 43.3 inhab/sq. Km. Vegetation: Savannah Semi dessert	<b>Public Finance (revenues):(97)</b> Total rev. share of GDP: 24% LG rev. share of GDP: 2% <b>Sources of LG revenue: (97)</b> Own taxes: 43% Transfers: 22% Fees/charges: 23%
<b>Climate:</b> Tropical		<b>Climate:</b> Tropical	
<b>GHANA</b>		<b>UGANDA</b>	
<b>Population:</b> Total: 17.522 mill. (1996) Annual growth rate: 2.7% 15-64 years age: 9 mill. Above 64 years age: 4.8%	<b>Local Government (LG):</b> Year of recent LG-reform: 1998 No of levels of LG: 2 (2) No. of LG: 110 Districts + units Average Population: 159,300 Average staff: 540 (1)	<b>Population:</b> Total: 19.741 mill. (1996) Annual growth rate: 3.2% 15-64 years age: 10 mill. Above 64 years age: 3.6%	<b>Local Government (LG):</b> Year of recent LG-reform: 1997 No of levels of LG: 3 No. of LG: 1050 Average Population: 18,800 Average staff: 446 (1)
<b>Geography:</b> Area: 238,000 sq. Km. Density: 73.6 inhab/sq. Km. Vegetation: Rain Forest	<b>Public Finance (revenues): (96)</b> Total rev. share of GDP: 5.3% LG rev. share of GDP: 2.5% <b>Sources of LG revenue:</b> Own taxes: 18% Transfers: 64% Fees/charges: 18%	<b>Geography:</b> Area: 236,000 sq. Km. Density: 83.6 inhab/sq. Km. Vegetation: Savannah	<b>Public Finance (revenues):97/98</b> Total rev. share of GDP: 16.1% LG rev. share of GDP: 4.5% * <b>Sources of LG revenue:</b> Own taxes: 15% Transfers: 66% Fees/charges: 5%
<b>Climate:</b> Tropical		<b>Climate:</b> Tropical	
<b>SWAZILAND</b>		<b>ZIMBABWE</b>	
<b>Population:</b> Total: 0.926 mill. (1996) Annual growth rate: 3.1% 15-64 years: - Above 64 years age: -	<b>Local Government (LG):</b> Year of recent LG-reform: No of levels of LG: 1 No. of LG: 13 Average Population: 15,380 (1) Average staff: 118 (3)	<b>Population:</b> Total: 11,248 mill. (1996) Annual growth rate: 2.4% 15-64 years age: 6 mill. Above 64 years age: 4.7%	<b>Local Government (LG):</b> Year of recent LG-reform: - No of levels of LG: 1 No. of LG: 81 Average Population: 138,860 Average staff: N/A
<b>Geography:</b> Area: 17,000 sq. Km. Density: 47.1 inhab/sq. Km. Vegetation: Savannah	<b>Public Finance (revenues): (98)</b> Total rev. share of GDP: 33.8% LG rev. share of GDP: 0.7% <b>Sources of LG revenue:</b> Own taxes: 71% Transfers: 18% Fees/charges: 6%	<b>Geography:</b> Area: 390,000 sq. Km. Density: 28.8 inhab/sq. Km. Vegetation: Savannah	<b>Public Finance (revenues): (97)</b> Total revenue share of GDP: 36% LG revenue share of GDP: 3.0% <b>Sources of LG revenue:</b> Own taxes: 21% Transfers: 33% Fees/charges: 35%
<b>Climate:</b> Sub-Topical		<b>Climate:</b> Tropical	

(1.) Average staff in sample SNGs (unweighted average). (2) Ghana has a large number of sub-units from 1998, approx. 16,000 units, public elected. (3) Only urban areas, estimated to cover approx. 200,000 inhabitants with 13 SNGs.

As part of their decentralisation efforts, many African countries have begun to address *fiscal resource allocation and mobilisation*. This is an absolute necessity, but public

<sup>6</sup> Financial data are drawn from the present Study on Fiscal Decentralisation (1998-2000). Figures shown for Zambia represent the average of 1994-97. Figures for Uganda date from 1997/98. Figures for Swaziland, Senegal and Ghana are from 1997.

resources are clearly not enough. Considerable *private financing* is also needed to meet the demand for infrastructure and services. In general, Africa has yet to attract significant private investment in infrastructure provision (especially electricity, urban water and solid waste), although some successes are starting to be registered.

To promote private sector participation, much more work needs to be done to ensure sound macro-economic fundamentals and good governance. Effort also needs to be made to develop capital markets and enhance the regulatory framework, institutional capacity and creditworthiness of utilities and local governments. In addition, the right mix of public financing (taxes, grants and user charges) is crucial for an efficient public sector.

Capital markets in African countries remain underdeveloped, and macro-economic stability, an essential requirement, is often lacking. Banking systems are weak and lack an effective regulatory framework. An enabling environment does not exist in most cases for long-term investments by social security agencies, pension funds and insurance companies.

Many governments are choosing to pursue decentralisation/municipal-strengthening programmes for a variety of reasons. The transfer of responsibility for local services to local authorities can help to limit demands on over-stretched central government budgets. Decentralisation can also allow a more efficient response to the needs of rapidly growing populations dispersed across extensive hinterlands. Broader government objectives to foster local democracy and accountability may also be supported through decentralisation processes, e.g. by bringing a closer relationship between the assignment of tasks and the financing of these tasks.

Multilateral and bilateral donors have also been broadly supportive of decentralisation initiatives in Africa and throughout the developing world in recent years. Many donors share the common objectives of linking enhanced service and infrastructure provision to the promotion of democratic processes and improved governance. Donors have naturally tended to focus their support on aspects of the decentralisation process that match their institutional strengths. Many bilateral donors have focused, for instance, on capacity building at the local level, legal and legislative reform and municipal administrative systems. IDBs have followed their comparative advantages by focusing on finance provision for key infrastructure and, increasingly, addressing market reforms required to mobilise private participation in provision of local services. In an increasing number of cases, donor support has been co-ordinated to assist government reform programmes more effectively.

The existing and proposed World Bank-assisted municipal infrastructure and strengthening projects in Sub-Saharan Africa encompass hundreds of millions of dollars in financing and include tens of millions of dollars required for complementary capacity building activities. To date, co-ordination among donors has been achieved by supporting country-specific projects. However, this approach has limited the scope of reform efforts, particularly in terms of promoting capital flow within the region into municipal infrastructure.

Among the diverse motivations and strategies of both governments and donors, the

factors common to all decentralisation initiatives are the need for co-ordinated access *to finance* for critical infrastructure and services in tandem with *capacity building* at the local level. Some regional studies in Europe and Latin America show that the transfer of responsibilities for tasks to the local level without a parallel transfer of financial responsibilities (or the opposite) may lead to inappropriate results.<sup>7</sup>

## 1.2 The Regional Approach and the Methods of Work

Sufficient experience around the world has now been gained to allow development of a more systematic definition of the types of reforms and modes of assistance required to support government decentralisation initiatives.

The countries in which the World Bank is active in the Sub-Saharan region are at various stages in the decentralisation process. Indeed, taken as a group, these countries comprise a virtual continuum of the steps necessary to build strong municipal governance and infrastructure delivery systems. Given the rapidly emerging regional economy, the common goals of each of these countries in terms of delivering infrastructure through strong local governments, and the successful country-specific co-operation of the Bank and other donors, it would appear that a *regional approach* to building local government capacity and developing municipal finance markets would achieve a number of key efficiency gains.

Primary among these potential efficiencies, the research should improve *information flow* and assistance to participating countries in the region. By drawing participating countries into a regional effort, individual reform efforts should be greatly strengthened by the sharing of information on specific activities being undertaken in different countries. In addition, a regional programme should provide a *focal point* for private investors seeking to invest and participate in infrastructure and service provision. Finally, a regional approach should allow more efficient programming of donor resources over longer time horizons.

A key element in organising a successful regional programme of municipal capacity building and financial market development is a definition of a reform framework that builds on regional examples, systematizes the key areas of reform and emphasises the interdependence of these reforms, leading to the desired ends. The first step of such a *framework* has been developed and is discussed in the following chapters. The framework contains indicators on the following five subjects:

1. the division of tasks and responsibilities between various governmental levels and the general context for local governments, including the central government's commitment to decentralisation (Chapter 3);
2. municipal finance systems, including indicators on local government revenues, expenditures and inter-governmental fiscal relations (Chapter 4);

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<sup>7</sup> One example of this is the World Bank Policy Research Working Paper, No. 1387, "Fiscal Decentralisation and the Size of Government", Jaber Ehdai, December 1994.

3. elements of well-functioning municipal infrastructure delivery systems and infrastructure investment inventories (Chapter 5);
  - the regulatory and legislative environment (Chapter 6); and
  - the institutional framework and basic capacity building requirements, including civil service reforms (Chapter 7).

Chapter 2 also contains an overview of international experience in the field of decentralisation, particularly as it relates to fiscal concerns. The elements of importance regarding local government infrastructure and service provision are dealt with separately, but are linked in the conclusions and recommendations presented in Chapter 8.

### **1.3 Indicators of Decentralisation<sup>8</sup>**

As mentioned above, the analysis examines not only fiscal elements of decentralisation (e.g. revenue and credit possibilities), but also the institutional and regulatory environment for local governments and its interface with the financing of services and infrastructure. A large range of indicators covers different elements of decentralisation, although they are only partial measures of a complex system. Many of the indicators of decentralisation are interdependent and are assumed to have an impact upon each other. It is, for instance, not sufficient to have a large local government sector ratio in public expenses without a certain degree of influence and autonomy on the revenue and expenditure side. On the other hand, there is no value in having a high level of own expenditure decision-making power without some degree of control over the finance for services and infrastructure and access to stable revenue sources. The type and number of controls operating across levels of government are also key factors for measuring the level of decentralisation. Analysing the finance of infrastructure and services is necessary, but not sufficient. The regulatory and institutional framework must also be considered. It is, for instance, not appropriate to transfer all responsibility for service and infrastructure provision to local authorities that lack the human resource capacity to carry out their functions and to manage their financial autonomy.

There is no standard model for decentralisation applicable to all countries in the world or in the region. Appropriate decentralisation approaches have been initiated with different speed, form, content, and procedure in various countries. Nevertheless, some major characteristics must be in place for decentralisation of government power actually to take place. Analysis of similarities and differences between country-specific decentralisation experience should help identify practical solutions for making central/local government relations more efficient, effective and accountable to citizens. The indicators for decentralisation will be systematised in a final synthesis report for the six countries.

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<sup>8</sup> The problem of available data should be mentioned here. No common system of compiling statistics in the field of local government exists worldwide. There are several systems, each with its own logic, but none of them currently approaches the issue of finance from the sub-national government viewpoint. Therefore, the data should be evaluated with great caution. Despite these problems, the inevitable imperfections of this project should not hinder a first step in development of measures for comparisons and evaluation of progress.

A regional framework for municipal strengthening and infrastructure investment aims at being useful as both an analytical and an organisational tool. At the analytical level, compilation of data on infrastructure investment requirements, municipal finance systems, and relevant reforms inform each of the participating countries of the *tasks ahead*, while, at the same time, allowing quantification of country-specific and overall regional *needs for assistance*. On an organisational level, compilation of this framework should allow governments and donors to share information and programme assistance more efficiently over a longer time frame corresponding to each country's anticipated needs. It is also our hope that programming assistance on a multi-country or regional basis will provide greater flexibility to deploy resources in response to the rate at which key reforms are achieved in specific countries.

#### 1.4 Finance and Organisation

A programme of the type described above is very ambitious. Therefore, the World Bank has identified a manageable *first step* as embodied in its "*Fiscal Decentralisation and Sub-National Finance*" programme which has been approved for funding under the Danish Trust Fund and USAID. This programme, which covers analysis of decentralisation in six countries (Zambia, Senegal, Ghana, Uganda, Swaziland and Zimbabwe), has been carried out in co-operation between the World Bank, the National Association of Local Authorities in Denmark (NALAD), USAID and local consultants in each of the six countries.<sup>9</sup>

The programme has emphasised the involvement of local experts in all phases of the country analyses and close contacts with the central and local government levels. The system in each country is examined both at the aggregate level and by use of sample local authorities representing different types of sub-national governments. These sample local authorities have been analysed in-depth and compared with the aggregate data at the central level.<sup>10</sup>

The *second step* is a discussion of the results of a national workshop held in each country and involving stakeholders from all levels of government, donors and experts within the field. The major findings of the national workshop are summarised in Chapter 9. A Sub-Saharan regional seminar will be held in mid-2000. There, research findings for the six countries will be compared, and regional lessons drawn.

The *third step* will entail the preparation of a regional synthesis report. The regional synthesis report will include broader benchmarks and indicators of progress in implementing decentralisation programmes on a regional basis.

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<sup>9</sup> The World Bank and NALAD have coordinated the work in all six countries. The Danish Trust Fund has financed the majority of the costs in four of the research countries and a part of the costs in the two other countries. USAID has financed the majority of research costs in the two of the countries (Ghana and Zimbabwe) and supported the study within the Zambia and Senegal.

<sup>10</sup> Official statistics (IMF, OECD, national statistics etc.) combined with information from the sub-national and central governments has been used in the analysis. No single, unanimously accepted source of statistics for all countries in the world exists for finance, infrastructure and service provision of sub-national governments. Therefore, it has been necessary to adopt a pragmatic approach, where the official data have been combined with information available in the country and through experts at the central and local levels.

## **1.5 Executive Summary of Main Findings and Recommendations**

### ***1.5.1 The political and administrative structure***

Ghana has a unique decentralised system of Government. This was introduced in 1988, with the creation of the District (including Metropolitan and Municipal, but hereafter simply called “District”) Assembly system. Six years later, the concept was greatly strengthened by the introduction of the funding mechanism known as the District Assemblies Common Fund (DACF), under which 5% of the national budget is allocated to Districts. Building on the success of these 110 District Assemblies (DA), the logic of decentralisation has now been extended to lower levels, with the creation of 1,800 urban/zonal/town councils and 16,000 unit committees. District Assemblies collect their own revenues in the form of property taxes, user fees, licences and permits. The proceeds may be used for capital or recurrent expenditure.

#### The Assembly system

The number of members of District Assemblies is based on the population: there is approximately one member for every 2000 people. The assembly is a legislative and deliberative body, which also has responsibility for planning government expenditure within the district. Its members are elected on a non-partisan basis. 30% of the members are appointed so as to include members with skills and experience that might be lacking among the normal elected membership. Assemblies range in size between 54 and 130 members, and they must meet at least three times per year.

The District Chief Executive (DCE) is the chief representative of the central Government in the district. He and Members of Parliament from the District are also members of the DA, though the latter do not have the vote.

The DCE is the chairperson of the executive committee. The latter is elected from the assembly membership, and it conducts the day-to-day work of the assembly. The committee consists of one-third of the assembly members. The day-to-day work of the assembly is performed by specialist sub-committees of the executive committee.<sup>11</sup>

#### Regional Government

Each region in Ghana has a Regional Minister, with his/her own staff, and a Regional Co-ordinating Council, which co-ordinates the activities of the Districts and central government agencies within the region.

#### Staffing

Almost all the established staff of District Assemblies, from the highest to the lowest, are paid by Government and fall under the control of the Office of the Head of the Civil

Service<sup>11</sup>. They are subject to transfer, promotion and disciplinary measures by their parent Ministry.

### ***1.5.2 Functions***

#### District Assemblies

Under the Local Government Act, all 22 Government Departments<sup>12</sup> operating in the Districts are supposed to be abolished, and their functions and staff transferred to the relevant Department of the DA. However, in spite of this, the Government has subsequently legislated and implemented an entirely different system: the establishment of a deconcentrated administrative system, which goes under the rubric of “Public Services”. These include the Education Service, the Health Service, the Fire Service and the Police Service. These are operated as local arms of a nationally managed system, and are not subject to any control by the DAs.

This implicit attack on the intent of the Local Government Act is blurred in practice by the paradoxical practice that much of the DACF expenditure goes to funding schools and health facilities. Thus, there is a split between legislative and practical responsibility, which appears to be unresolved.

Thus, there has emerged a dual system of responsibility, which appears to be widely accepted, under which capital expenditure is undertaken by the DA, and recurrent expenditure by the sectoral National Service. Sometimes this system has broken down; for example, a health facility was developed without a corresponding commitment from the Health Service to staff the unit, which therefore stood empty for two years. But this seems to be an exception.

The situation is made more striking by the fact that DAs are not given the opportunity to provide infrastructure and services, even though the Act gives them the powers to do so. Major roads are handled nationally by a central government Department, and parastatals have responsibility for water and sewerage, and electricity. Transport is a private sector function. The maintenance and development of feeder roads (low grade gravel roads in rural areas) and solid waste removal and street sweeping in the larger urban areas are the only services for which DAs are exclusively responsible. Otherwise, their functions, for the most part, are limited to the operation of markets, slaughterhouses and lorry parks.

As implied by the above paragraph, while City and Municipal DAs must address problems such as solid waste that are a lower priority in the rural areas, in principle the

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<sup>11</sup>There is an exception to this rule in the form of Accra. It has some of its own staff, i.e. people whose salaries it pays, and whom it can therefore hire and fire. Some of these are permanent employees, and some are on contract.

<sup>12</sup>Education, Libraries, Information, Social Welfare, Community Development, Town and Country Planning, Highways, Public Works, Parks and Gardens, Rural Housing and Cottage Industries, Statistics, Births and Deaths, Forestry, Controller and Accountant-General, Health, Feeder Roads, Fire Service, Animal Health and Production, Fisheries, Agricultural Extension Services, Crops Services, Agricultural Engineering

functions performed by DAs is the same. The one exception is Accra, which undertakes a wider range of functions.

#### Urban/zonal/unit Committees

The members of these are appointed by the DA, Unit Committees and government. They are supposed to be a rallying point of local enthusiasm in support of the development objectives of the DAs.

#### Unit Committees

Two-thirds of the members of the unit committees are elected, and the remainder are appointed by Government, constituting a total of not more than 15 persons. The committees play a role in matters such as education, organisation of communal labour, revenue raising and registration of births marriages and deaths.

### ***1.5.3 The finances of the public sector***

#### Relationship between central and district expenditure

As stated above, the most significant fact about the Ghanaian system is that DAs are dependent on central government for the salaries of all established posts, and for a capital grant from the common fund, which represents between 60% and 75% of their income. They also receive a percentage of locally levied taxation, in the form of “ceded revenue” payable annually to the Districts by the Ministry of Finance. This provides a level of comfort to them in the knowledge that irrespective of the performance of the local economy their income is assured.

The degree of certainty, however, can be exaggerated. Payments from the common fund are typically between 3 and 6 months late, which make project planning difficult, and causes frequent stoppages in capital development projects. Ceded revenue was not paid at all in 1998, and was paid very late in 1997.

#### Revenues

In addition to government transfers, and excluding taxes, the most important sources of revenue for District Assemblies are derived, in most cases, from trading activities. Marketeers are charged user fees on a daily basis, a toll is paid by lorries who use lorry parks and payment is required to transfer agricultural goods out of the District. Building permits and the transfer of land also attract fees. In addition, there is a multitude of licences and permits, of which important ones include shops and kiosk licences, and a chain-saw licence in timber-growing areas. The different sources of revenues in the participating SNGs may be compared as follows:

**Table 1.1: Revenue Sources for Sample SNGs, 1997**

District	% of revenues from taxes 1997	% of revenues from user charges 1997	% of revenues from transfers 1997	% of revenues from other sources, 1997
Accra	28.43	12.18	59.39	0
West Dagomba	4.56	1.75	93.69	0
Suhum	6.25	4.87	88.88	0
Cape Coast	5.42	4.72	89.86	0
Asante Akim	15.97	4.18	79.85	0
Tano	13.98	2.36	84.35	0

Source: Tables 4.2.4.B – 4.2.4.G

Poverty places a major limitation on how much money can be raised. The amounts to be collected are often too small to be worth collecting (for example between \$0.25, which is the *annual* Basic Rate per person) or of only marginal value (for example, \$0.50 as a *daily* market fee). In addition, small cash payments are difficult to audit and revenue collectors have many opportunities for taking bribes to receive a lower amount, which goes into their pocket.

### Expenditures

Expenditures mainly consist of office overheads such as printing, telephones and electricity; vehicle expenses; and the expenses of running the Assembly meetings.

### Taxes

Districts levy a number of rates, of which the most important, financially, is the property rate, which typically accounts for between 40% and 60% of the revenue they collect directly. In addition, in timber growing and mining areas they receive a percentage of the royalty levied by the government on extraction from “stool lands” i.e. customary land controlled by Chiefs. As noted above, other sources include the basic rate, which is a tax on all persons living in the District of c500 per year. Public servants have their basic rate deducted at source.

In addition, government pays the Assembly a percentage of the revenues it collects in the District (“ceded revenue”). The amount is similar to that of the property rate. However, it was not paid in 1998, and was paid very late in 1997. The item is therefore beginning to be treated with scepticism by the Assembly staff.

### Government transfers

As stated above there are two government transfers: payment of the staff and the DACF. The DACF is the source of funds for capital expenditure. In principle, no control is placed on how the Assemblies may use the funds. However, in practice guidelines are issued which limit the freedom of DAs. Last year a directive was issued that 20% of the common fund had to be used for “poverty alleviation”, i.e. loans to small businesses. The programme has been slow to take off and is not popular with the Assemblies, who view it as a waste of money. The freedom of the DAs to use this

money is also limited in some cases by the bulk purchase of items for the Districts (such as refuse trucks) by the Ministry, which then deducts the costs from the Common Fund. In addition, last year District Assemblies were directed to use 10% of their allocation on “Self Help Projects”, and 5% on rural housing.

Districts tend to have similar populations, with a few exceptions, and the ratio between population and finances is illustrated by the expenditure figures, which are as follows:

**Table 1.2: Expenditure by Participating SNGs, 1997**

District	Population 1984	Recurrent Expenditure 1997 (million cedis)	Capital Expenditure 1997 (million cedis)	Ratio: 1984 Population/ 1997 Total Expenditure
Accra	1,014,879	8,355	8,030	16,145
Cape Coast	86,620	244	994	14,292
West Dagomba	150,072	740	749	9,922
Suhum	107,972	245	759	9,299
Tano	92,752	384	626	10,889
Asante Akim	89,277	208	457	7,449
Average	256,928	1,696	1,936	11,333

Sources: Tables 4.2.2.2 – 4.2.2.7, and 4.2.3.2 – 4.2.3.7

A useful indicator of the sub-national governments’ independence is the percentage of their revenues that are raised from their own taxes. The data for the case study Districts are as follows:

**Table 1.3: Own Taxes as Percentage of Total Revenues in Participating SNGs 1997**

District	Own taxes as a percentage of total revenues, 1997
Accra	28.43
West Dagomba	4.56
Suhum	5.23
Cape Coast	1.44
Asante Akim	15.97
Tano	13.28

Source: Tables 4.2.4.B – 4.2.4.G

#### External finances and finances for infrastructure

District Assemblies do not borrow, unless very occasionally they take a short-term overdraft pending payment of an instalment of their Common Fund payment.

A similar position applies with regard to the financing of infrastructure. Although the Common Fund is often used to contribute to the cost of infrastructure, this is in response to political pressure even though not strictly part of their duty.

### Revenue potential and credit-worthiness

There is considerable political resistance to any substantial increase in the level of existing taxes, fees and charges. Exceptions may exist in the Metropolitan and Municipal Districts, which have the privilege of substantial industry and commerce that may be able to pay higher property rates, for example. However, the consensus in the participating Districts was that the scope for such increases is very low.

With regard to the level of collection, however, in many districts there is room for substantial improvement. Firm legal action has established good precedents in some Districts. Concepts such as setting up special task teams, use of debt collectors and other mechanisms have made an impact in others.

There is already a very wide spread of revenue sources, and it is unlikely that any important new sources of revenue can be identified.

### ***1.5.4 Infrastructure and service provision***

#### Division of responsibilities

District Assemblies do not have primary responsibility for any infrastructure except “feeder roads” i.e. gravelled rural roads, which it is their responsibility to construct and maintain. The remainder fall to central government and parastatals.

In areas where piped water does not exist, it is common for the District to sink boreholes or rehabilitate old ones, and provide hand pumps for the use of local residents.

In respect of services, similar limitations apply. In urban Districts, the Assembly provides the solid waste removal and street sweeping services and is also responsible for providing the bulbs for streetlights. They also have responsibility for the maintenance of school buildings and health facilities - in respect of the buildings themselves, it should be noted.

#### Affordability

It is generally considered that affordability levels in Ghana are very low, and this places a real limit on the standard of services that can be provided. This affects the profitability of public utilities and acts as a disincentive for District Assemblies to provide services.

However, it should be noted that even if tariff levels are not increased, there is scope for DAs to increase their incomes by increasing their levels of cost recovery.

### ***1.5.5 Regulatory Environment***

#### Legislative freedom

The level of fees that District Assemblies can charge and their right to charge fees are subject to guidelines and legislative instruments issued by the Minister of Local Government and Rural Development. It is generally felt that it is appropriate for these matters to be regulated nationally to keep comparability between different administrations, though one might question this assumption on the basis of the wide variety in income and service levels.

#### Infrastructure and service provision

The paradox of the apparent conflict between the provisions of the Local Government Act and the establishment of the National Education and Health Services, for example, has not been resolved. Meanwhile the role of the DA in ISP is very limited.

Districts, as stated above, are free to identify their own sources of revenues and set their tariffs. However, the Minister prepares guidelines, which are normally a statement of maximum and minimum levels for specific charges, within which a District can operate without further need for approvals from Accra.

There are also guidelines with regard to certain types of expenditure, such as limits to entertainment costs and vehicle and travelling expenditure.

#### Private sector

The majority of District Assemblies have no meaningful involvement by the private sector in their activities. Although not the first in Ghana to do so, Accra is the first of the participating Districts in this respect. It has contracted out its solid waste removal services, and has entered into joint venture agreements in respect of a major market, lorry parks and its abattoir. The solid waste contractor in Accra has been criticised for being unreliable and introducing charges, which people evade by dumping refuse in unauthorised locations, so other Districts are approaching the matter with some caution.

### ***1.5.6 Institutional Environment***

#### Overview

There seems to be broad consensus that, although the District Assemblies have very little real power, very little responsibility for providing services, and are operated by staff employed by the Civil Service under the direction of a presidential appointee, the system works.

However, a number of issues detract from the achievement. The first is the fact that the District Chief Executive is appointed by the President, and has loyalty to the centre. Another is that the regular income from the District Assemblies Common Fund has removed some of the incentive to collect debt and raise funds locally, and some Districts appear to adopt a passive attitude in consequence. Thirdly, the duality between

the centre and the Districts has not been fully resolved: DAs are assigned responsibilities but not given the resources with which to exercise them. However, there are several developments planned, which it is hoped will improve the system.

#### Lower tier authorities

Government has embarked upon a policy of developing two tiers of government below the District Assembly. Legislative provision for this was introduced in 1998, and the system has not yet had time to be tested.

Under each District Assembly, there will be about six Councils (exact numbers vary). The Councils consist of about 8 elected Assembly members, about 12 elected members of the unit committees and about 10 Government appointees (the exact number differ between the different types of Councils). They will be served by a staff of four: a secretary (which is a town clerk type of position, not a secretarial one), an accounts clerk, a typist and a messenger.

Below this, there is a Unit Committee at the rate of one Committee for approximately every thousand persons. The unit committee consists of ten elected members and five appointed ones.

The problem with the Councils is that funding for these posts has not been made available yet. Although staff can be seconded from the District on a temporary basis, this is not sustainable. Meanwhile the search is on for premises, which should include limited office space as well as a meeting hall.

Turning to the Unit Committees, they have found it difficult to attract members, who are to serve on a voluntary basis.

#### Management reforms

There are two future developments under consideration. The one closest to realisation is the development of a separate Local Government Service. Legislation for this has been drafted (The Local Government Service Bill), and it is expected to be enacted in 1999. This will remove the employment of Local Government staff from the civil service and place it, instead, under a parastatal Local Government Service Council. This will create a nation-wide service, with common salary structures and conditions of service. It is hoped that it will make conditions of service more attractive, but feared that it may become as centralised and unresponsive as the present system.

Secondly, there are plans to develop a composite budget that will integrate the budgets of all Government Departments in the Districts under that of the District Assembly and that also will discontinue the current system of paying the staff in the Districts through their parent Ministry.

In addition, a number of initiatives have been adopted by the Civil Service to develop the capacity of all key public service organisations, under the Civil Service Performance Improvement Programme, the National Institutional Renewal Programme

DAs are expected, among other things, to establish Capacity Development Teams to review their administrative procedures and improve their budgetary, financial management and reporting systems to ensure transparency and improved financial management. It is too early to tell what fruit these initiatives will bear.

### Management capabilities

The picture generated by this study is that the staffs of the District Assemblies have achieved much in difficult circumstances.

A number of important difficulties exist, however. The first is the question of technical competence. By not giving DAs responsibility for infrastructure and service provision, the Government has recognised their lack of technically qualified persons. Indeed, only 22 of the 110 Districts have an engineer, let alone the capacity to design and manage projects. Other problems are frequently referred to, such as poor salaries, inflexible conditions of service, split loyalties and indiscipline. It is hoped that all of these difficulties will be reduced, if not eliminated, by the introduction of the proposed Local Government Service.

Whether the system is sustainable rests mainly on two points:

The first is the scale of decentralisation, which is costly and complex to manage. In addition to the cost of running DAs, the operation of zonal/town/area Councils is being constrained due to funding difficulties.

The second question with regard to sustainability lies in the field of revenues. There have been indications in the recent past that Government may not be able to sustain the levels of contributions that it makes to the Districts. Local revenue sources are also very limited, and, in most cases, have little scope for a significant increase.

The difficulties described above, as far as sustainability is concerned, should not be seen to detract from Ghana's achievement. It has established a system that has worked relatively well over a period of almost a decade and has enabled effective development to take place at the District level. The system is under continuous review and appraisal by the Government, which, it is hoped, will be able gradually to increase local autonomy in the administrative, fiscal and political senses.

However, the government has a long way to go before its goal of decentralised government is achieved. It is considered that it should focus its future energies on defining the role of each tier of government more clearly, giving them the means with which to implement that role, and thereafter concentrate on developing more efficient administrative systems. These would focus on trimming the staff to the minimum; remunerating them well; giving them the tools necessary to work effectively including telephones, vehicles and computers; and establishing efficient management practices, including setting performance targets and performance reviews.

## CHAPTER TWO

# DECENTRALISATION OF THE PUBLIC SECTOR - OBJECTIVES, METHODS, AND EXPERIENCES

### 2.1 Introduction

The development of democracy and decentralisation at the local level has increasingly captured international interest, especially developing countries and Eastern European countries in transition. The main objective of this development is to improve public sector operations and thus contribute to the quality of life of citizens.

Decentralisation has been an important method of tackling many of the challenges of the nation states. These include increasing demands on public services, demographic pressure (more elderly and young people) and growing public expectations regarding the quality of services.

Decentralisation is characterised by public accountability, as the local self-government is subject to democratic control. Decentralisation allows citizens to participate in and influence the decisions made by the councils of local authorities. Decentralisation thus forms an important component of the development of democracy, as reflected in the *European Charter of Local Self-Government* adopted by the Council of Europe in 1985. The basis for decentralising public tasks and financing consists of several components, of which the following are of major importance:

- \* Local self-government denotes the rights and the abilities of local authorities, within the limits of law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interest of the local population (art. 3.1.)
- \* Public responsibilities shall generally be exercised, in preference, by the authorities, which are closest to the citizens. Allocation of responsibility to another authority should weight up the extent and nature of the task and the requirements of efficiency and economy (art. 4.3.)
- \* Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers (art. 9.1) <sup>13</sup>
- \* At least a part of their own resources should be derived from local taxes and charges of which, within the limits of the statute, the local authorities shall have the power to determine the rate <sup>14</sup>

Decentralisation to lower levels of government is a complex phenomenon. It involves issues of finance, administration, control, regulation, reporting and accountability – all comprising part of the interrelationship between levels of government and with semi-public and private actors as well. The complex system of intergovernmental relations comprises the term **governance**, where “*good governance*” implies a focus on

<sup>13</sup> European Charter of Local Self-Government adopted by the Council of Europe 1985. “Own” resources means the “possibility freely to dispose of”.

<sup>14</sup> Alain Decamp: Working group on “The European Charter of Local Self-Government, Finances of the Local Authorities” (implementation of Article 9 of the Charter), Strassbourg, Oct. 21, 1997.

accountability for performance and results, i.e. the provision of services to the citizens in an efficient, effective and responsive manner. The shift from jurisdictional and procedural concerns to “good governance” marks a shift in paradigm that is of vital importance for the functioning of the public sector.

The importance of decentralisation can further be seen from the development in the democratic perspective of the European Union, where the role of local authorities is being strengthened. Recent amendments to the Treaty of the European Union state that the Union is one “in which decisions are taken as closely as possible to the citizens” – the so-called principle of “**subsidiarity**”. This principle has also been the main strategy in other parts of the world and a guiding principle for many countries in development and transition.

Local and regional authorities in this way play a central role by having a close relationship to citizens and have greater influence on how democracy, efficiency and transparency develop. This ensures that the provision of public services is most responsive to local needs and conditions.

Most public services to households and enterprises are generally most efficiently provided by local government. Efficient decisions must be based on good information, and it can be very difficult at the central level to secure necessary information about local matters. Local government service provision also makes it easier to adjust the service level and quality to meet the expectations and needs of the citizens within a given area.<sup>15</sup>

Fiscal decentralisation is generally accepted as the way to enhance political, institutional and economic development. The economic benefits from decentralisation are difficult to quantify, but evidence in Denmark, Norway and other countries shows that there is a U-shaped relationship between average expenditure for administration and the size of the authority. This suggests that both very small and very large units are costly compared to those of medium size.<sup>16</sup> Evidence shows that local government in most countries with less than 5,000 inhabitants will generally be too costly to provide services at the local level.<sup>17</sup>

Parallel to this development, the international community, especially donors, increasingly demand democratic progress and decentralisation by the recipients of aid, and of applicants wishing to join their clubs. Crucial in the development of a democratic society is the establishment of local authorities with elected councils, functions to perform and financial backing.

This Chapter describes trends in the development of the modern, decentralised public sector and some of the major *indicators* of decentralisation. The presentation primarily

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<sup>15</sup> The argument for more efficient operation of the public sector was mentioned in the debates in the Nordic countries when local governments were legislated in the mid 19<sup>th</sup> century.

<sup>16</sup> Cf. e.g. in Kenneth Davey and Gábor Péteri: “Local Government Finance: Options for Reform”, Nagykovácsi, 1998, p. 19 ff.

<sup>17</sup> Kenneth Davey: “Political and Fiscal Decentralisation-Reforms in the Baltic Sea States – Proceedings of the Regional FDI Conference”, Section on: Public Administration in Central and Eastern Europe, November 24-25, 1999 Copenhagen.

focuses on and trends in the OECD countries, but also provides a comparison to the situation in some of the Sub-Saharan countries involved in the research. This overview of international decentralisation experience, particularly within the field of local government finance, allows the results of the country research to be seen in a more global context.

Despite common decentralisation objectives among many countries and within international fora, the experiences have shown that the practical implementation of decentralisation and the time span required for it vary greatly from one country to another.<sup>18</sup>

In some of the OECD countries, the historic development took the form of federations of states with independent legislative powers. This occurred because people, for historical reasons, were unwilling to accept central authority, or because cultural and other differences made it impossible for them to live together in a unitary state<sup>19</sup>. The federal constitutions guarantee the rights of the member states to perform specific functions, and it secures their methods of financing. The federal countries often have strong anti-central attitudes, but decentralisation beyond the intermediate state level is left for the states to decide upon, and decentralisation to the local level is not impressive.

In the unitary countries, decentralisation was historically initiated by a centre and was driven by reasons of democracy and/or of efficiency.

Unitary and federal decentralisation policies are very different issues. Decentralisation in the federal sense is usually very clear and absolute, but this is rarely the case when unitary countries delegate functions.

The parliaments of unitary countries rarely decide to decentralise all of the functions suited for delegation to local authorities. Often, decentralisation has been viewed as being a more effective way to deliver centrally delegated public services than would have been the case with central provision. Countries torn by internal religious, ethnic, linguistic or other tensions often need to apply a federal model with an independent regional tier of government. Countries organised as unitary states may have internal divisions, and they may benefit from including features from the federal model in the organisation of local government. In both cases, to gain the benefits from efficiency and democracy, decentralisation to the lowest level should not be neglected. The present study on decentralisation in African countries focuses on decentralisation to the lowest level, the towns and municipalities (and in some countries districts/regions), and not on federal solutions.

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<sup>18</sup> The information about particular countries relates to a recent year. It has not been possible to check if reforms that are more recent have changed the situation.

<sup>19</sup> In the case of Germany, the allied forces imposed the federal solution after the war in order to prevent the re-emergence of a strong German state.

## 2.2 The Global Trend of Growth of the Public Sector, Financial Constraints and Conditions for Decentralisation

The role of the public sector as supplier of services and welfare benefits has constantly increased since the age of industrialisation, as witnessed by the development of tax ratios over the years. OECD records show that tax ratios (tax revenues as percentages of GDP) have increased since 1965 by half: from 26% to 38% (see *Table 2.1*).

**Table 2.1: Tax Ratios as per cent of GDP 1965-94, OECD Countries**

Ratios in per cent	1965	1970	1975	1980	1985	1990	1994
OECD-countries	26.3	29.5	32.5	34.1	35.9	37.0	38.4

*Source: Revenue Statistics. OECD. 1997.*

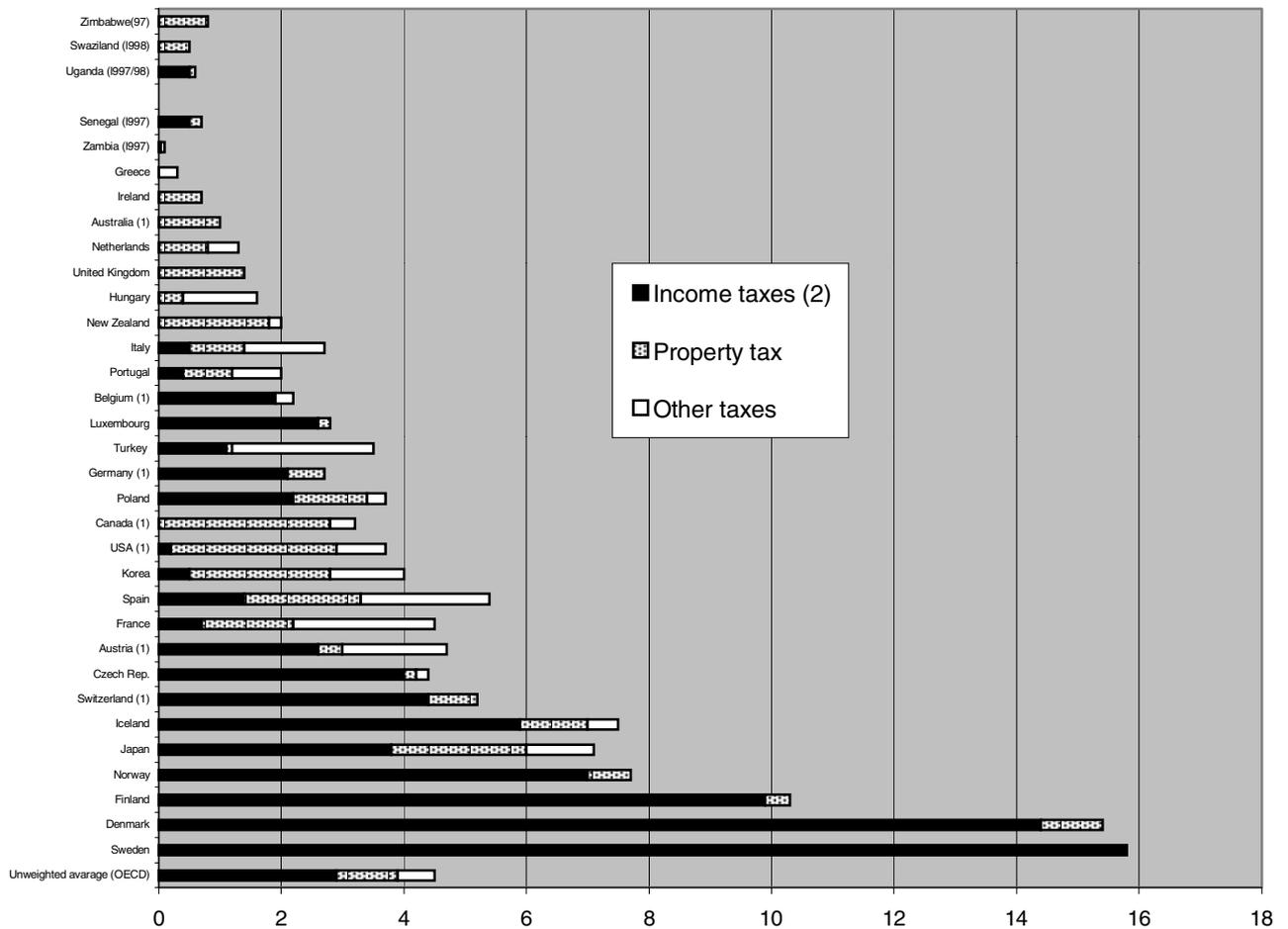
In this three-decade period, most countries have experienced a steady increase in demand for public services. The political willingness to meet this demand has prevailed within the concept of the welfare state, the result being a substantial increase in the provision of services. Among the most important reasons for the increased demand for institutionalised welfare services has been the trend toward an increasing number of elderly people in many countries and the longer duration of education combined with increased employment of women outside the home. However, there is no single, generally accepted economic explanation for this growth in public services. Income elastic demand, new knowledge and technology, imperfect organisation and decision making all have been shown to contribute.

One reason why it has been so complicated to explain the growth of the public sector is that it is not a direct result of the working of economic forces; rather, it is a product of political decisions. Any service may be public if it is politically decided that it is to be tax financed, supplied free of charges or subsidised. Therefore, the concept of public services is not given and not uniform between countries.

The importance of the *local government sector* is shown in *Table 2.2*, which indicates local government tax as a share of GDP (see also Appendix No. 1 to Chapter 2):

**Table 2.2**

**Local tax revenues as per cent of GDP. 1997 for OECD countries and 1997/98 for African countries**



Source: OECD, Revenue Statistics 1965-1998, OECD 1999. African countries: Data from the present Study on Fiscal Decentralisation and Sub-National Finance, collected from various sources (unofficial data). Zambia, 1997 figures, Source: Central Statistical Office. Swaziland 1998, Ghana 1996, Senegal 1997, Uganda 1997-98, Zimbabwe 1997.

The tax financing of services in any country is a political choice, and it is a political responsibility to ensure that taxpayers are only burdened with the cost of such services, and only for very good reasons. Welfare services and transfer levels for redistribution can be unrealistic when considering the economic capacity of the country. The result then becomes high taxes or inflation followed by low economic growth and a decline in available resources.

Decentralisation is sometimes seen as one way to create greater accountability in the public sector, e.g. a way to keep spending within the capacity to tax. However, experience from a number of countries shows that decentralisation may also take place under conditions of general financial constraints, where central government transfers responsibilities for public service provision to lower levels of government without a corresponding transfer of financial means.

In many cases, there has been a tendency that the financing was not decentralised with the public service functions. In the post World War II decades, expenditure on public welfare services grew quickly in many countries, resulting in so-called “vertical imbalances” and the need for central government grants. The same process is now being repeated in several of the countries in transition in Eastern Europe, Asia and Africa. It is noteworthy that decentralisation in some Latin American countries seems to follow a reverse pattern: to guarantee decentralisation revenue before decentralising responsibilities.

Decentralisation can be a less painful way in the short-term for central governments to overcome national budget constraints and unbalances.<sup>20</sup> It can be justified to the extent that efficiency gains are generated by decentralisation of responsibilities. This again requires lower levels of government to be furnished with some degree of managerial and/or financial discretionary power and autonomy in order to be able to compensate by innovation, flexibility and adaptability to local needs and conditions. In this way, decentralisation can be seen as a major option for promoting “good governance”.

The size and organisational structure of the public sector in any country is very much a result of political choice. However, data suggest that it is most likely that the public sector’s role will increase for countries in early stages of development.

Therefore, the role of the public sector will remain one of the most important political issues in any country. The central and local governments’ ability to collect taxes is crucial to finance public services. The public sector of developing countries can be expected to grow with economic development. Developing countries must prepare their institutions so that this development is efficient, government spending is controlled and resources are mobilised. Decentralisation is one way to mobilise needed resources and improve performance.

The benefits of public expenditures have to be carefully weighted against their costs. Poor management and wasteful misallocation in the public sector can easily result in stagnation of the whole economy, popular mistrust of politicians and increased levels of tax non-payment. These risks can be minimized under certain conditions by decentralising the public sector and thus mobilising local populations to scrutinize and control the level of expenditure and taxes.

An inefficient public sector will not become efficient by decentralisation alone. First, problems of control/supervision and of local organizational and administrative capability must be solved. The need for justice must be satisfied, legal rights guaranteed and democratic controls established<sup>21</sup>. Related efficient administrative systems such as budget and accounting systems, indicators for services

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<sup>20</sup>. Unfunded mandates may also preclude the implementation of legislation and new tasks and jeopardise cordial central/local government relations. . This has especially been the case in a number of Central and Eastern European countries (in transition), where many tasks have been transferred without sufficient finance, cf. Ricard M. Bird, Robert D. Ebel, and Christine L. Wallish (editors), “Decentralisation of the Socialist States, Intergovernmental Finance in Transition Economies, International Bank of Reconstruction and Development, Regional and Sectoral Studies”, 1995.

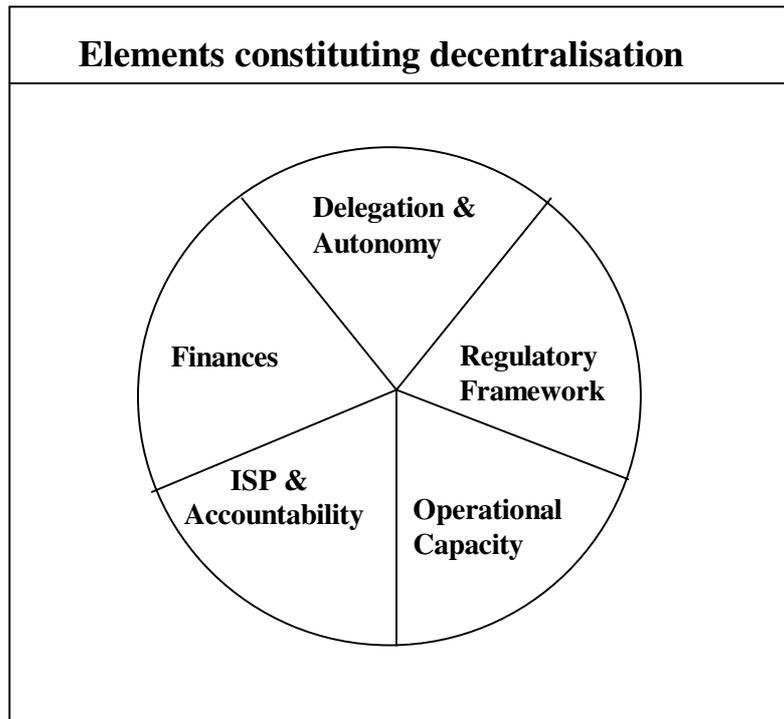
<sup>21</sup> These issues are central in the IBRD World development report 1997, which concludes (pg. 162) that “strengthening the rule of law must be a vital first step” For African development.

provision/performance, and audit and tax systems should be developed as well. Without these conditions, decentralisation of the public sector cannot serve its purpose.

### 2.3 Indicators of the Decentralisation of the Public Sector

The major elements constituting decentralisation of the public sector are shown in the figure below.

Figure with Indicators



ISP = Infrastructure and Service Provision

#### 2.3.1 *Delegation, Responsibility and Autonomy*

Some of the necessary indicators of decentralisation are the relative sizes of local government revenues and expenditures.

##### 2.3.1.1 *Decentralised public purchasing power by disbursements and actual local government consumption*

The extent of actual decentralisation is difficult to describe, but one of the first appropriate indicators is local government expenditure. An analysis of public expenditures shows that only four of the eighteen OECD countries allocate less than 7 per cent of GDP to local government (see the tables below).

**Table 2.3: Local Government Disbursements as per cent of GDP (1995)**

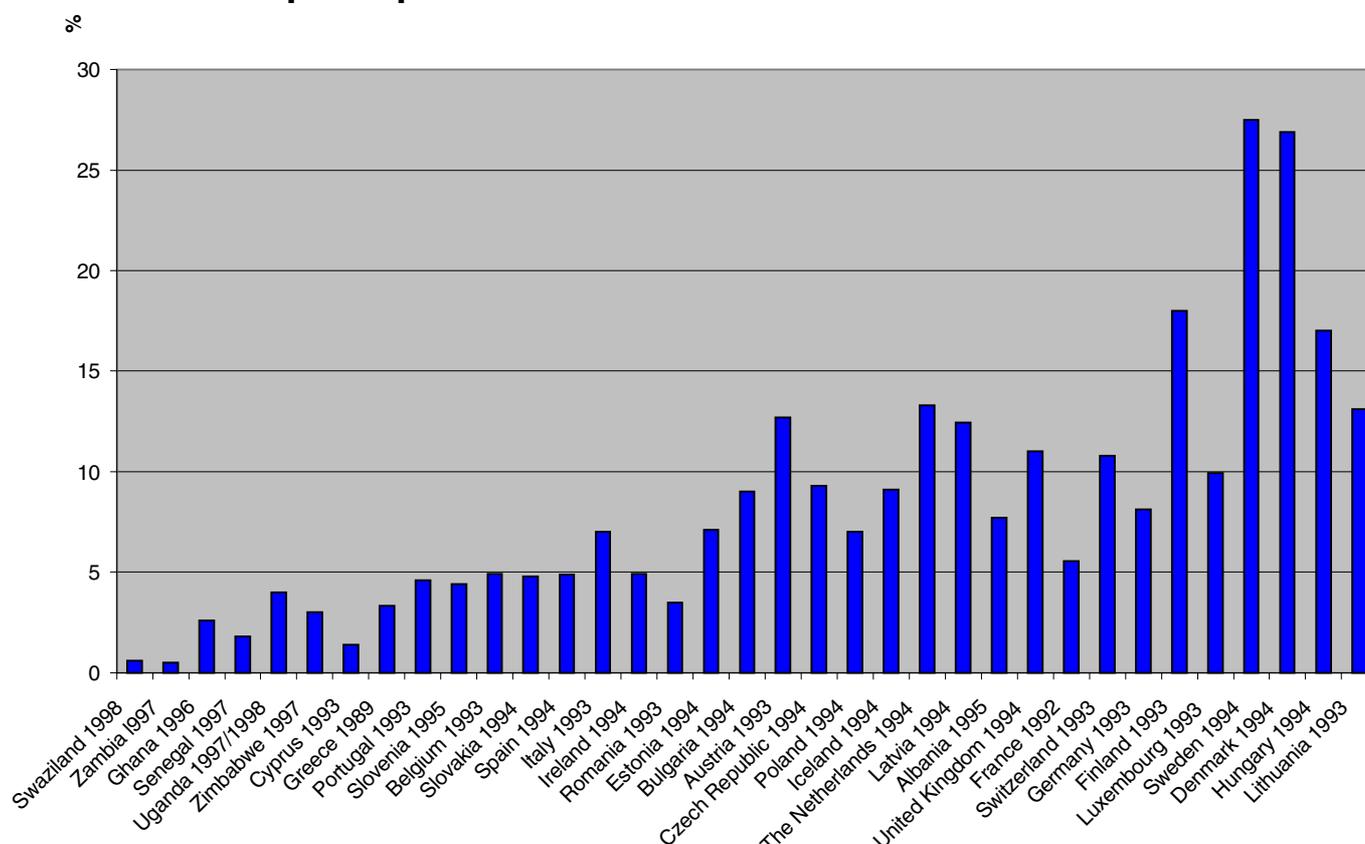
	Disbursements	Consumption
Zambia (1997)	0.5	
Senegal (1997)	1.8	
Ghana (1996)	2.6	
Uganda (97/98)	4.0	
Swaziland (1998)	0.6	
Zimbabwe (1997)	3.0	
<b>OECD-countries:</b>		
Australia	4.1	0.0
Austria	7.1	3.7
Belgium	7.0	4.4
Canada	11.2	8.9
Finland	18.4	14.4
Denmark	24.4	17.5
France	7.9	5.1
Greece 94	3.8	3.2
Germany	5.8	3.8
Iceland	7.7	5.3
Ireland 94	10.6	7.7
Italy	12.0	7.5
Japan	12.8	7.4
Korea	10.1	4.8
Netherlands	14.0	6.9
Norway	16.9	12.6
Portugal 93	3.9	2.9
Spain 94	9.8	6.2
Sweden	22.2	17.8
UK	10.1	7.3
US 93	13.7	9.5

*Source: The table is based on OECD National Accounts Statistics. The figures show net of fees and charges. The figures from the Sub-Saharan countries are of various sources and from the Study and should be treated with due caution. Zambia: Data from 1997, Source: Ministry of Finance. The concept of local government includes provinces and regions, but not the state level in federal countries. For Australia, the OECD figures have been adjusted to exclude state finances. Disbursements include: Transfers as well as service expenditure. For Denmark, agent-type transfers have been deducted from the OECD figures. Capital expenditure is not included. Consumption is local government salaries and purchases. The figures for the African countries are derived from the present research (different sources), and a direct comparison should be made with great caution. Figures for the African countries are drawn from the case studies on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision and not from official figures. Senegal: 1997 figures based on extrapolation. Uganda 1997/98 figures and Swaziland 1997 figures.*

Table 2.4 below shows local government expenditure in relation to central government expenditure:

**Table 2.4: Local Government Expenditure in Relation to Central Government Expenditure**

### Municipal expenditure in relation to Gross Domestic Product



Council of Europe, "Local Finance in Europe", No. 61, Strasbourg, 1997. Only the municipal level of local governments. Figures from African countries were collected as a part of the study on Fiscal Decentralisation and Sub-National Finance, 1998-2000 (unofficial figures) and include all sub-national governments. 1) Figures from DK include expenditures, which are 100% reimbursed by the State.

Developing countries seem to have a lower local government share of the GDP and of total public expenditures. This tendency has been confirmed by the present study. An example is Zambia, where the local government expenditure only constituted approximately 3% of the total public expenditure in 1997.<sup>22</sup>

Such figures are, of course, only a first step in comparing the differences between countries. For example, tightly controlled countries, such as Japan, may rank higher than justified by the actual degree of decentralisation. In the Netherlands, the high figure for local government expenditure is very much due to decentralisation towards private non-profit organisations/associations and not to democratic local authorities. This pattern is also seen in El Salvador, Bolivia, and a number of the research countries. It is clear

<sup>22</sup> Data are from the Study on Fiscal Decentralisation and Sub-National Finance. The figures are based on data from the Ministry of Finance in Zambia.

that an analysis like this has to be supplemented by other indicators of autonomy as well.<sup>23</sup>

### 2.3.1.2 The decentralisation of tasks and responsibilities across levels of government

Local Government responsibilities for the provision of public services vary greatly from country to country. These responsibilities are in some countries decreed by the constitution, in others by separate legislation and in a few by a presidential decree. The responsibilities could be fully decentralized or they could be decentralised in some cases and shared among different levels of government in others. Furthermore, the distribution of responsibilities can be seen in close relation to the issue of the degree of autonomy concerning specific responsibilities. Information concerning distribution is not available in a systematic way for all OECD countries, and, accordingly, the table below only includes countries with available information.

**Table 2.5: Local Government Responsibilities<sup>24</sup>**

	Education	Health	Social Security & welfare	Housing	Community amenities	Recreational & cultural affairs	Economic services
Uganda	S	S	S	SG	SNG	SNG	SNG
Senegal	S	S	S	S	S	S	S
Ghana	CG	CG			S	S	S
Swaziland	CG	CG			CG/SNG	CG	CG
Zambia	CG	CG	S	S	SNG	NA	SNG/S
Zimbabwe	S	S	S	S	SNG	S	SNG
Latvia {1}	S	S	S	S	S	S	S
Austria {2}	S	S	S	SNG	S	S	S

<sup>23</sup> One example of very controlled functions recorded as local expenditure is Japan, where functions delegated to local authorities until recently have been regarded as central expenditure disbursed by local authorities (“agency delegated functions”). Another example is Slesvig-Holstein, a German land, where decentralisation of the schools only means that the local authorities can build the schools. The Ministry strictly details everything taking place inside the schools. Chapters 6 and 7 explore these indicators further.

<sup>24</sup> The table shows where the **major** responsibilities are assigned. Within each category, some minor tasks may be carried out by another level. The following sources have been used to complete the table:  
2<sup>nd</sup> Questionnaire on the Responsibilities of Local Authorities” contributions from Country Experts to the Council of Europe’s Working Group on “the European Charter of Local Self-Government”  
”Regional and Local Government in the European Union” by the Committee of the Regions: Sub-Commission on Local and Regional Finances, February 1996.  
”Strategy Development on Decentralizing Public Administration Structure”, by VNG: Association of Netherlands Municipalities, 1996.  
”Kap. 7: Opgavefordelingen i andre lande – Opgavekommissionen” by the Danish Minister of the Interior, October 1998.  
”Managing Across Levels of Government”, OECD Report 1997.  
”The Reform of Inter-governmental Fiscal Relations in Developing and Emerging Market Economies” by Anwar Shah: The World Bank’s Policy and Research Series no. 23, 1994.  
”Nordic Local Government” by E. Albæk, L. Rose, L. Strömberg and K. Ståhlberg: The Association of Finnish Local Authorities, Helsinki 1996.

Belgium {2}	SNG	S	S	SNG	SNG	S	S
Denmark {1,3,4}	S	SNG	SNG	SNG	SNG	S	S
Finland {1,3,4}	S	SNG	SNG	SNG	SNG	S	S
France {3,2}	S	S	S	SNG	SNG	S	SNG
Germany {2,5}	S	S	SNG	SNG	SNG	SNG	S
Iceland {1}	S	S	SNG	S	SNG	S	S
Ireland {2}	CG	CG	CG	SNG	SNG	S	S
Japan {5,6}	S	S	S	SNG	SNG	SNG	S
Netherlands {1,2}	S	S	S	SNG	SNG	S	S
Norway {3,7}	S	SNG	SNG	SNG	SNG	S	S
Portugal {1,2}	S	S	S	S	SNG	S	S
Spain {2}	S	S	S	S	SNG	S	S
Sweden {1,2}	S	SNG	SNG	SNG	SNG	S	S
UK <sup>25</sup> {1,3,2}	S	S	S	S	S	S	S
US {5}	S	S	S	S	SNG	SNG	S

The tabulation comprises: CG=Central Government, S=Shared & SNG=Sub-National Government.

Comparisons of functions delegated to various levels of governments show a surprisingly uniform pattern between countries. The difference between a highly decentralised country, with strong local authorities and a high degree of autonomy, and a very centralised one is seen, not so much in the number of functions delegated, but in the degree of freedom left to local authorities to decide which services to offer their citizens and how to implement such services.

The basic local functions - sanitary measures, road maintenance, street lighting etc. – have traditionally been purely local services financed out of local fees, charges and taxes. As far back as 200 years ago, the responsibility for redistribution responsibilities like free schools, poverty assistance, and care for the poor and sick was also in several countries delegated to local authorities.

The latter type of expenditure has been growing in importance with the development of the modern welfare state. Where these responsibilities are delegated to the local levels of government, disputes arise on who has the responsibility and the power to decide. The problems arise not only in the case of primary schools, but it has proven difficult to distribute functions like social assistance and health. A study of the EU countries has shown that local governments in all EU countries are responsible for physical planning, public health control, waste collection and disposal, parks and open areas, recreational amenities and culture, public transport and some social services (including services for elderly people and child care). The degree of local government responsibility for other services varies between countries.<sup>26</sup>

<sup>25</sup> Northern Ireland is not included as it differs too much from the rest of UK. Another particularity in UK is that many services are not the responsibility of sub national governments but are provided by agencies of central government e.g. water supply, post-16 education, urban development; housing and the provider of these and other responsibilities varies from region to region in UK.

<sup>26</sup> Kenneth Davey and Gabor Peteri (ed), "Local Government Finance- Options for Reforms", Oct. 1998, Local Government know how programme, p. 12.

The issue of distribution of functions by level of government is now under discussion in several countries. For example, commissions have been set up in Denmark and Norway. In Sweden, experiments are being made with new types of enlarged regions.

One lesson to be drawn is that central Parliaments, generally speaking, are only willing to delegate a share of their responsibility for the supply of free public services in the modern welfare state. These services are dependant on what counts at the ballot, and they are the issues picked up by the press in its search for "stories".

The unwillingness of central Parliaments to share their powers with local authorities may also express political resistance against democracy. Decentralisation means that they have to share their influence regarding government expenditures and taxation.

#### *2.3.1.3 The Decision-Making Power of Local Authorities: the Degree of Autonomy at the Local Level*

Decentralisation is a means of distributing political power. It has now been strongly established in former communist countries and in countries like Belgium and Spain. As early as the mid 19<sup>th</sup> century, the Scandinavian kings formed coalitions with local authorities to counterbalance the power of the nobility.

Political decentralisation depends on the central government's willingness to allow for local differences in service levels, and the two issues tend to merge into one.

Countries with strong anti-centralist traditions, such as the USA, prefer decentralised solutions. This is true of federal countries concerning the distribution of functions between the central and the state level – but not between the state and local authorities. Table 3 suggests that the federal countries, which developed on the idea of decentralisation, are generally not those that delegate most to the local level.

It can also be seen from Tables 2.3 and 2.4 that none of the large countries are among those most decentralised. The distribution of functions to different levels of government is a highly political question. Because large countries typically have histories of minority suppression, they have needed strong central governments to create stability. Such countries seem to have two ways to go: they develop either federal solutions or centralist traditions. In the latter case, the tables indicate that they typically prefer comparatively centralist arrangements.

As mentioned above, there are economic gains in efficient decentralisation. However, decentralisation is also a political question, and there is no "right" way for any given country to decentralise.

The issue of autonomy is related to the, often quite complex, degree of discretion that local authorities exercise in their various functions and responsibilities. This issue is also tied to the main reasons for decentralisation of the public sector: to increase overall efficiency and effectiveness by allowing local authorities (with a close relationship to the people), to improve responsiveness, accountability and performance of service production and delivery. In many countries, dynamic and innovative

leadership of some local authorities has been used to find new ways and means of generating improved efficiency in the handling of functions.

Several elements can be used to describe the degree of autonomy of local authorities. One of these concerns the possibility for the central government to withdraw or limit the discretionary power of the lower level of government. The constitution of some countries protects the discretionary power of local governments. Another element concerns their potential command over self-generated resources: the share of and nature of own taxes, decisions regarding taxation rates and the establishment of the tax base, and the power to apply user charges and to borrow money. A high degree of autonomy is experienced in the Nordic countries, France and United States, whereas this kind of financial autonomy is quite limited in the Netherlands and Ireland.<sup>27</sup>

Autonomy can be seen in connection with central governments' overall objectives for economic policy and for the equitable provision of public services nationwide. In order to balance local wishes for autonomy with these national objectives, many countries have adopted minimum standards for different types of public services. These minimum standards have been established by considering the viewpoints of the local authorities and by involving associations of local authorities in their elaboration. A number of countries have established various fora for co-operation concerning the establishment of guidelines influencing decisions of local authorities in the field of own taxes, local expenditure targets and related matters. In this regard, associations of local authorities often play a major role.

### ***2.3.2 The Operational Capacity Reflected in the Structure of Government Related to Number of Levels and Sizes of Local Authorities***

#### *2.3.2.1 The Municipal Level*

Two traditions of local government structure can be identified. There is the British tradition of ad-hoc authorities, developed at the end of the 18<sup>th</sup> century in response to new urban needs following industrialisation. Special boards were created for paving roads, street lighting, police and garbage removal. Later, these functions were gathered under multi-purpose districts and counties. The *single purpose* model for local government has survived, for example, in the United States, where numerous elected boards, each with its own specialised functions and financing, are common. An advantage of this model is the close democratic influence on the public service delivery and the economy of scale that is often achieved. Some of the disadvantages are the lack of overall priorities, the lack of co-ordination and accountability, the lack of simplicity and the obscured visibility of the tax rates.

The other tradition is a *multipurpose* local government organisation developed out of very old local structures. These were mostly church districts or central subdivisions created and staffed by the King for control purposes that subsequently evolved into authorities with locally elected councils to handle the joint affairs of the local population.

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<sup>27</sup> Alan Decamp (editor), Working Group on The European Charter of Self-Government", Oct. 1997.

The social pressures shaping local governments, however, were the same in both cases: migration to the cities paired with growing expectations regarding the level and quality of free welfare services since the world war required newly structured and organised local governments.

Century-old units have become depopulated and unable to meet the demands of the new age, and large reductions in the number of local units have taken place. Figures have been collected for different countries by the Council of Europe (see *Table 2.6*).

**Table 2.6: Number of Local Authorities, 1950 and 1992**

COUNTRY	Reduction in number since 1950. Pct.	Number 1992	Average size 1992	Per cent less than 10.000 inhabitants 1992
Zambia (1999)		72	140.230	Very few SNGs
Uganda (1999)		1050	19050*	Few of the sub-counties
Swaziland (1999)		13	15000**	Many of the rural SNGs
Senegal (1999)		433	214780	Many of the rural districts
Ghana (1999)		110*** + 1800 urban/Zonal councils and 16000 unit com.	N/A	Many of the lower tiers of SNGs
Zimbabwe (1999)		81	145680	Few of the rural SNGs
Council of Europe Countries				
Austria	42	2301	3340	91.5
Belgium	78	589	16960	17.3
Bulgaria	88	255	35000	8.2
Czech Rep.	44	6196	13730	95.7
Denmark	80	275	18760	6.9
Finland	16	460	10870	49.5
France	5	36763	1580	95.2
Germany	67	8077	4925	84.0
Greece	1	5922	1700	96.7
Iceland	14	197	1330	96.5
Italy	plus 4	8100	7130	72.9
Netherlands	36	647	23200	11.2
Portugal	plus 1	305	32300	8.5
Spain	12	8082	4930	86.2
Sweden	87	286	30040	3.1
Switzerland	3	3021	2210	92.0
UK	76	484	118440	N/A.

Source: *The size of municipalities, efficiency and citizens participation. Council of Europe. Local and regional authorities in Europe, No. 56. Council of Europe Press, 1995. Data from the African countries has been collected during the study on Fiscal Decentralisation and Sub-National Finance, 1998-2000. Senegal figures includes 43 arrondissements*

\*, Uganda: The 45 districts are very large, all with more than 100.000 inhabitants, but the lower tiers of SNGs are characterised by smaller units.

\*\* Swaziland: Only the urban population is estimated to cover approx. 20% of the country, i.e. approx. 200,000 inhabitants.

\*\*\* Ghana has a great number of smaller SNGs under these district assemblies, cf. the country study. The system was introduced in 1998, and is still not fully implemented

Since 1980, the move towards larger units has slowed, and only very few recent examples can be found. One example is the reforms in Scotland in 1992. These were part of a large change of power for the Scottish office, and as the existing local government structure was quite new, deep-rooted feelings of belonging had not yet been established. In Central and Eastern Europe, a large number of smaller local authorities

have been established in connection with the transition, which has created some problems of fragmentation.<sup>28</sup>

In Africa, many new units have been established in the last 20-30 years, e.g. in Zambia, Uganda, Ghana, Senegal and Swaziland.

Although efficiency gains may be achieved through amalgamations of local authorities, political resistance at the local level has been significant; very few reforms have been implemented without an element of force from the central government. This may explain why the speed in conglomeration seems to have been reduced by the modern political climate and the increasing powers of the media, both of which have made reforms against the will of the local people more difficult. Instead, the structural reforms have been supplemented by trends toward making a split between, on the one hand, local authorities as providers, and, on the other hand, the public institutions as more or less independent – perhaps even private - suppliers. There are countries (Germany and the Netherlands) where associations and non-public organisations are responsible for many of the decentralised functions: for example, social welfare and health. Another possibility is to join in different forms of inter-municipal cooperation arrangements<sup>29</sup>.

It can be seen from Table 2.6 that in some cases small units were maintained in thinly or unevenly populated countries (Finland, Iceland, Norway and perhaps Austria, Greece and Spain), though the example of Sweden demonstrates that this need not necessarily be the case.

Reforms have not been implemented on a major scale in countries such as France, Italy, and Germany, and there has been convergence between contrasting traditions in recent years. In the latter case, reforms have been implemented in some länder, while others have refused reforms. Recent reform efforts in France have failed because of political resistance.

The question of the optimal size of local authorities has been a subject of concern to local government experts in recent years. Evidence gives no clear answers, but many investigations indicate that local authorities with less than 5,000 inhabitants have increasing costs and declines in efficiency with their present tasks and functions. Results from investigations give no clear answers in the case of local authorities with over 5,000 inhabitants.

### *2.3.2.2 The Middle Tier*

Many counties have established an intermediate level of government between the central government and municipalities. Sometimes, these are merely local representatives of the central government<sup>30</sup>, and, in federal countries, the state level

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<sup>28</sup> In some countries (for example, Latvia and Estonia) there are still ongoing reform plans with the aim to reduce the number of local authorities.

<sup>29</sup> This is very common in countries such as Netherlands and Finland, but is experienced in almost all European countries.

<sup>30</sup> Nearly all countries have a certain central government presence at the regional level, and many countries also at the local level. A good example is Senegal.

often has legislative powers similar to that of the central government. Such authorities are not local authorities. However, in a number of countries there is a local authority placed between the central and the municipal levels. As to the responsibilities of the intermediate authorities, there are two models.

One model is the Nordic model (Denmark, Finland, Iceland, Norway, and Sweden), where the intermediate level consists of units so large that they can handle functions for larger population units than exist at the municipal level. This is also the model in some African countries such as Senegal. In Senegal 10 districts were established in 1997 to conduct some regional tasks, e.g. regional planning. The units of the intermediate level are in this model parallel to the municipalities, though with different responsibilities. In most cases, they have their own elected boards. In other countries (Belgium, Finland, the Netherlands, and Spain), small local units co-operate in the provision of local services. The role of intermediate government in the Nordic countries is under discussion, especially with regard to hospital service.

Another model is an intermediate level of regions overseeing and controlling local authorities (Belgium, France, Italy, and Greece). They may even include elements of ministerial regional administration and, in this way, become one of the possible instruments of central control. This is a very common model in a number of African countries, e.g. in the so-called prefect systems.

There has been a number of recent reforms creating a regional level of government between the central and the municipal levels (Finland 1994, France 1982, Greece 1994, Ireland 1994). However, the tendency is not clear. In Scotland, Wales, England and some German länder, the intermediate level has been eliminated. In the Dutch province of Friesland, a four-year experiment has been initiated to test a model with clearer and less interwoven distribution of responsibilities between the two levels.

Some general conclusions seem to have emerged. Firstly, there is a connection between the size of municipalities and the role played by the intermediate level. Small municipalities seem to be more in need of supervision and control. Secondly, there is a correlation between the role of intermediate government and the degree of decentralisation. A high degree of decentralisation is often correlated with the intermediate level.

Recent developments have not influenced either of these models. The new Finnish regions have been made responsible for regional planning and environmental functions, and are voluntary municipal associations. In France, the new regional authorities have been given responsibilities within the field of education and transport. In Greece, regional planning and primary education have been decentralised to the new regions.

New thinking on the role of local government in other countries has resulted in political discussions on the need for an intermediate level. Proposals have been made in Denmark, Sweden and Norway to take functions from the intermediate levels and transfer them to municipal partnerships, to central governments or (for hospitals in particular) to independent units in market like constructions.

In the East European countries, the reforms after the communist regime have been mixed; but the general picture seems to suggest a two tier local structure, with quite large upper tier authorities having controlling functions in some cases.

### ***2.3.3 Infrastructure and Service Provision and the Issues of Accountability***

#### ***2.3.3.1 Efficiency and Responsiveness in Local Government Infrastructure and Service Provision – Public Accountability***

Delegation of responsibilities for infrastructure and service provision to local governments can result in very different types and levels of services by area, depending on local conditions and priorities. The consequence of local self-government is that the client or service orientation of decision-making and administration re-orientates the focus away from mere production and towards effective distribution of public services. From a local perspective, the resulting disparities of quantities and qualities of public services throughout local authorities may appear questionable, and the voters can express their opinion at the next council election thus securing public accountability of the decisions made.

Participatory decision-making and other types of user involvement can further extend the deviation from the national average for service provision by user boards of schools, kindergartens or advisory committees for the provision of services to the elderly. These boards have been established recently in many countries. Indirectly, the councils of local government can also ensure that their decisions comply with the opinion of their electorates by the carrying out user-surveys. These surveys may question citizens' willingness to accept a reduction in the level and quality of services in order to obtain a corresponding reduction in the level of local taxes or question whether or not they are satisfied with the present balance between expenditure and revenue. The use of these surveys has increased in recent years in many countries.

However, disparities in the level and quality of services provided by various local governments can conflict with national policies and priorities. To secure compliance with national priorities with respect to type, quantity and quality of services, the central government can establish guidelines or minimum standards after consultation with the local governments..

Alternatively, the central government, by use of the financial resource allocation mechanism of earmarking transfers, can heavily influence local government decision-making in terms of the type, quantity and quality of services provided. The issue of different types of financial transfers is analysed further in Section 2.3.5.2 below.

The consultative and coordinative approach by setting guidelines and national minimum-standards to secure national priorities and increased equity has become more widespread and, furthermore, complies with the European Charter of Local Self-government instead of having rigid control and detailed legislation.

### 2.3.3.2 *Effective Administration - Managerial Accountability*

Managerial accountability emphasises efficiency in the optimal use of resources compared with achieved results related to expressed targets. The focus is not merely on compliance of services provided with the legal, regulatory and procedural framework, but also on performance and quality of the output related to different service areas.

The focus on managerial accountability as a means to achieve effective public administration is in accordance with theories and experiences of managerial economics of the private sector, which uses delegation of competence to enhance entrepreneurship and innovative approaches to service provision

The delegation of competence within the context of the local government entities calls for a division of power and responsibilities between the political leadership (the domain of local policies and priorities) and the administrative leadership (the domain of optimal compliance and performance related to the targets established by political decision-making). The clearer the division between the two types of leadership, the more potential there is for effective administration.

Performance related managerial accountability shifts the focus of the political leadership away from a project-level to a policy-level orientation. The mechanism of target performance leadership often leads to even further delegation of power and decentralisation to institutions under the domain of the local government. An increase in performance is quite often experienced in association with the increased flexibility in service production and distribution. This in itself legitimates and initiates the sub-delegation of responsibilities. In the forefront, there is the effective use of human resources, administrative capital and information technology.

Managerial accountability can be constrained by the institutional (and, partly, the regulatory) framework of local governments. It is influenced by the degree of competence that the administrative leadership possesses and by its ability to recruit and develop the heads of departments and sub-government institutions as well as the staff. The autonomy of hiring and firing is in compliance with the civil service code or more generally the labour market code and the human resource management by capacity building through restructuring of the local government organisation and systematic training of major categories of staff. With respect to administrative capital and information technology, the accountability is related to the degree of autonomy of the administrative leadership to introduce innovative approaches in the carrying out of the different tasks of the local government administration. In many countries, e.g. within Europe, there has been a tendency to ease these constraints and let the local authorities more freely organise their human resources. This matter will be dealt with in more in detail in Chapter 7.

The central government needs to be able to draw upon managerial accountability, which it may do by the introduction of a framework for “experimentation”. This framework has more flexibility in relation to the division of responsibilities among different levels of government, often on an ad-hoc basis, for a single or a few local governments in specified functional areas of administration. A number of countries (such as Germany, the Nordic countries, Switzerland, Canada and U.S.A) have this

kind of framework to influence the division of responsibilities among different levels of government. Other countries have instead, or supplementary to this, established co-ordination mechanisms to secure more optimal solutions in the cases of shared or partly overlapping responsibilities.

### **2.3.4 Regulatory Framework**

#### *2.3.4.1 Legislative and Regulatory Framework of Local Governments as Entities*

The highest protection of the autonomy of local governments is the constitution. The Nordic Countries, some of the federal countries and some of the new countries in Central and Eastern Europe are examples of this high level of security<sup>31</sup>. In other countries, autonomy is a part of the special legislation concerning local authorities, and, in a few cases, the autonomy of local authorities is established by a presidential decree offering only quite limited security of local self-government in cases of controversy.

A clear regulatory framework, first and foremost a clear law on local governments, is a very important condition for the provision of services by local governments. A clear division of responsibilities, a broad legal framework for local government functions and a clear description of the relationship between the different levels of government and competencies is a prerequisite for a well-functioning system of sub-national governments. In recent years, many reforms have been initiated in order to bring greater clarity in this area, especially in Central and Eastern Europe.

Another closely linked factor is the degree of control exercised by the central government (e.g. control of the use of expenses; decision-making power regarding land, property, human resource management; and organisational structure).

Most countries, especially in the OECD, have recently attempted to stimulate consultation and co-ordination among different levels of governments, rather than strengthen formal controls, e.g. through prefect systems<sup>32</sup>. There has been a tendency to move away from strict legislation and detailed rules towards more goal-oriented and performance related dialogue between different levels of government<sup>33</sup>.

#### *2.3.4.2 Restraints and Controls on the Functions of Local Government*

Apart from the regulatory and legislative framework for local governments as entities, there may exist restraints on their various functions and competences. Such restraints could take the form of special legislation, by-laws, letters of instruction from line ministries and special codes (such as building codes and hygienic codes).

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<sup>31</sup> In many countries, the principles of local self-determination are included in the constitution (for example Austria, Belgium, Greece, Denmark, Italy, Netherlands, Sweden, Bulgaria and Latvia). The same is the case in a number of African countries, most directly in the Constitution in Uganda, 1995. In England and Wales, it is part of common law. However, the parliaments of these countries normally determine which functions are to be decentralized.

<sup>32</sup> For a more detailed treatment of this subject see, "Managing Across Levels of Governments", OECD, 1997, p. 2.

<sup>33</sup> cf. above.

Restraints could also entail formal requirements for approval, prescribed procedures or co-ordination prior to local government decision-making. For example, in many countries, local governments are empowered to take loans but must seek prior approval, despite being deemed creditworthy by the lending institution.<sup>34</sup> Thus, a procedure that appears to be in favour of autonomy of the local government decision-making in practice may be a restraint.

The co-ordination type of restraint often refers to systems of regular agreement on guidelines for local government activities established between the central ministries and the national associations of local governments. The co-ordination agreement is considered more flexible than a legislative framework, easier to adapt to changing circumstances and thus more comprehensive. Again, however, it is necessary to consider the total regulatory framework in order to be able to estimate the degree of autonomy of local governments.

#### *2.3.4.3 Regulatory framework related to private participation in infrastructure and service delivery*

A field of special importance for local governments to enhance their flexibility and competitiveness concerns private sector participation in infrastructure and service provision.

Until recently, in many countries the regulatory framework restricted methods for improving service provision by local authorities, especially in periods of financial constraint. The intentions of the local councils could be to use the market mechanism to effectively improve the administration by creating incentives for innovation or changes in working procedures and norms.

For councils seeking a flexible mix of public, private or public-private partnerships, the steps for provision of the regulatory framework may appear complex and troublesome. The way the private sector could be involved covers a whole range of conceptual and practical solutions where public function may be commercialised, management delegated or ownership transferred to the private sector.

The trend in many countries shows an increasing awareness of the necessity to create a competitive environment for the provision of infrastructure and services. This development is enhanced by a requirement from central government or, in the case of the European Union, from the European Commission to undertake tendering processes in more and more fields of public sector functions.

#### **2.3.5 Fiscal Decentralisation**

Fiscal indicators are important to delimit local government autonomy and the level of decentralisation.

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<sup>34</sup> See e.g. Council of Europe: "Local Authorities' Budgetary Deficits" and Excessive Indebtedness", Strassbourg.

Section 2.3.3 and 2.3.4 gave a short overview of local government *expenses* and some indicators of autonomy. Of equal importance is the subject of local government revenues.

#### 2.3.5.1. *Composition of Revenues*

Careful consideration of the *composition of revenues* is very important. The composition of revenues varies greatly from one country to another. Typically, the following main types of local government revenues can be identified:

Revenue from the sale of services - non-tax revenues and user charges/fees.

Tax revenues - local taxes or shared national taxes.

Different types of grants (e.g. general and specific) made available to local governments from the central government.

Borrowing, e.g. for investment expenditure.

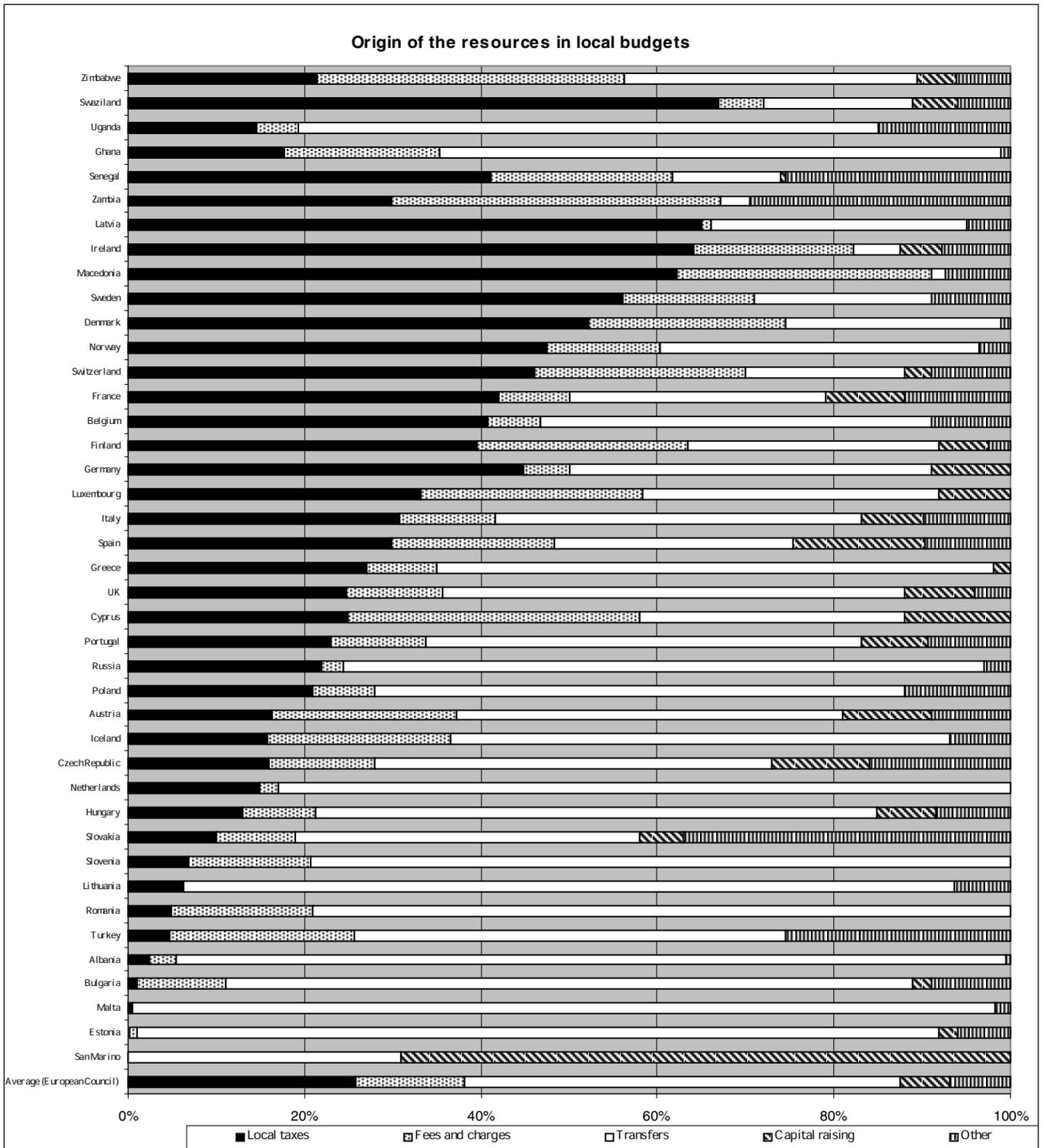
“Own revenue sources” are understood as resources where the local governments can influence the revenue level and are able to dispose of the revenues freely give the highest level of autonomy. These are often connected with local taxes and different kinds of user charges<sup>35</sup>.

The distribution of these categories varies greatly from country to country (see Table 2.7 below):

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<sup>35</sup> It is difficult to make a rank order of revenues according to the level of autonomy, as other factors have an impact as well. However, generally, the following order is useful: 1) own revenue sources (own taxes and user charges), 2) shared taxes, 3) general grants, 4) conditional grants, 5) specific and discretionary grants and 6) grants given to “agent functions”. In the definition of own taxes, factors such as the possibility to set the tax rate, to define the tax base and to influence the collection of taxes (indirectly influence the level of revenue) are important. All these factors will be investigated in Chapters 4 and 6.

**Table 2.7:**



The table is based on reports by members of the group of experts, the work by the DEXIA and in the absence of any such figures, statistics included in the so-called CDLR report. Paper from the working group on “The European Charter of Local Self Government”, Strassbourg 21, October 1997, Finance of Local authorities (impl. Of Art. 9 of the charter, cf. also appendix No. 2). Africa: Cf. this report.

Economic and political problems at the central government level sometimes result in the delegation of responsibility without the delegation of tax powers or grants; the difference is referred to as *the “vertical imbalance”* in the public sector economy.

Small vertical imbalances *ex ante* (i.e. before the local budgets are made) in favour of the government are indispensable instruments for the control of local authorities. They give incentives for local authorities to improve their tax effort and their efficiency in the delivery of local services. In Brazil, Colombia and Venezuela, revenues have preceded the delegation of responsibilities. Such imbalances in favour of local governments tend to promote excessive spending<sup>36</sup>.

However, large vertical imbalances in favour of central government easily result in uncontrolled deficit financing and accumulation of local debt. At some later stage, they must be replaced by grants to the local authorities to cover the vertical imbalance *ex post*, and at this late stage, decisions on excessive local expenditure may be difficult to reverse. The present research has confirmed is the case in many African countries.

There is a delicate equilibrium point between *ex ante* and *ex post* imbalance. The point here is not to misuse the introduction of good incentives for local efficiency so that the institution of local government becomes discredited.

Vertical imbalances *ex post* can be defined as grants received by local governments. Once local provision is decided, the major choice is between grants and local taxes. Local taxes may be grant-like tax sharing receipts (see below) or own local taxes. Own local taxes are those where the local authority has some influence over taxation (level, base or collection). This means that the local population must suffer higher taxation if they want better services or if the local authority is inefficient and wasteful. Modest service standards and good management are rewarded by low local taxes. This gives the right incentives for the local population at election time. A high level of own taxation also deprives the local councils the possibility of placing responsibility for failing delivery of local services on the lack of money from the central government.

The advantage of own local taxes over tax sharing arrangements is that own taxation results in *accountability*; it affects the behaviour of the local population and the local councils in a positive way. The combination of *ex ante*, non-financed small vertical imbalances with the existence of own local taxes is a strong recipe for better efficiency in a decentralised public sector.

The table below gives some indications of the choice between grants and taxes in different countries. The table shows that the proportion of local taxes varies greatly from country to country.

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<sup>36</sup> Kiichiro Fukasaka and Ricardo Hausmann (eds.): "Democracy, Decentralisation and Deficits in Latin America", OECD Development Centre, 1998.

**Table 2.8: Relationship between Taxes and Grants for Local Authorities in Different Countries.  
1995**

Per cent	Grants/Donor Contribution	Local taxes <sup>37</sup>
Uganda (1997/98)	76.9	23.1
Swaziland (1998)	17.7	82.3
Ghana (1996)	63.8	36.2
Senegal (1997)	22.0	78
Zimbabwe (1997)	33.3	67.7
Zambia (97)	3.4	96.6
<b>OECD-countries</b>		
Australia	15.9	84.1
Austria	15.1	84.9
Belgium	54.2	45.8
Canada	47.4	52.6
Czech Rep.	28.7	71.3
Denmark (1)	21.6	78.4
France	35.9	64.1
Germany	31.4	68.1
Iceland	9.9	90.1
Ireland	73.9	26.1
Mexico	4.2	95.8
Netherlands	72.6	27.4
Norway	38.7	61.3
Poland	29.4	70.6
Spain	86.0	14.0
Sweden	18.0	82.0
UK	72.3	27.7
US	38.8	61.2

*Source: Revenue Statistics 1965-97. OECD 1998. The data from Sub-Saharan countries are from the Study on Fiscal Decentralisation and Sub-National Finance, 1999-2000. Zambia: based on data from Ministry of Finance (1997 figures: User charges is included in local taxes)*

*Uganda: 1997/98 figures. Ghana: Only based on six sample SNGs. Swaziland: 1998 figures. (loans excluded).*

*(1) Figures adjusted for SNG administration of national transfers (old age pensions).*

The countries with the largest share of grants are English-speaking countries: Canada, Ireland, UK and the US. In these countries, local governments have been left with insufficient tax capacity to cover the costs of the delegated functions. They have only access to property taxation, and the property tax has limited revenue potential. Property tax is regarded as a perfect local tax by economists, but, politically, it is a very unpopular tax and yields no more than 4 per cent in any OECD country. Only in Canada, Japan, Luxembourg, UK and US does it yield more than 3 per cent. This is in most cases less than the cost of a modern primary school system.

The importance of grants vs. local taxes ranks average in Germany. However, this masks the inclusion under taxes of figures for tax sharing receipts.

Local councils seem to prefer tax sharing for grants, as they believe that they receive a fixed proportion of the taxes the central government collects in their jurisdiction<sup>38</sup>.

<sup>37</sup> Including tax-sharing revenues. For Africa countries also other revenues.

<sup>38</sup> Jørgen Lotz, "Proceedings of the Regional FDI Conference", November 24-25, 1997 Copenhagen, p.113

Local authorities believe that this is a guarantee against cuts in revenue in the case that the central government needs to save. The disadvantage of tax sharing is the same seen from the point of view of the central government; tax sharing weakens its instruments of control.

In Germany, sharing of the income tax is the traditional way of filling the vertical imbalance, and the German tradition has been adopted in German-speaking Europe. In the OECD statistics (the basis for the figures in this report), tax-sharing receipts are included under local taxes and cannot be separated (a reform within this area has been initiated)<sup>39</sup>.

The Nordic countries (Denmark, Sweden, Norway, Iceland and Finland) are traditionally countries with the highest proportion of taxes and of own taxes. This is explained by the use of the personal income tax as a local tax. Personal income tax has large revenue potential in Europe. In Denmark and Sweden, it yields more than 15 per cent of the GDP, leaving very limited needs for grant financing.

#### *2.3.5.2. Local Taxes*

Local taxes are normally the greatest source of income, and they represent one of the most important features of local authority autonomy. The possibility of influencing either the tax base, the tax rate or the collected revenues is a very important condition for the local authorities, making them able to adapt the service level to the financial possibilities.

The arguments for the introduction of own local taxes have been made above. However, a number of conditions should be met for a tax to be a good “own” local tax.

\* Firstly, the revenue of a good local tax should develop over time in the same way as the costs of fulfilling the growing need for local public services.

\* Secondly, local taxes should not be too sensitive to cyclical fluctuations, as the local services normally are not suitable as instruments for demand management.

\* Thirdly, a good local tax should be distributed relatively equally among local authorities. Equalisation of the taxes throughout the local authorities may reduce this problem, but not eliminate it.

\* Fourth, the size of the potential revenue is important. If the local authorities are allowed only relatively small yielding taxes, vertical imbalances result that will have to be otherwise covered.

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<sup>39</sup> The OECD has initiated work to produce figures making it possible to distinguish between tax shares and local taxes. In the present research, we have tried to make a distinction between the two types as they differ in terms of degree of autonomy.

\* Fifth, there should be a close relationship between the citizens who pay and the citizen who benefit.

Sixth, the tax administration should be without major problems, i.e. the tax yield should be much higher than the administrative costs.

As has been shown above, the size of the vertical imbalance in different countries is closely related to the local government tax structure. It was shown that the dependency on grants in the countries relying on property taxes was much higher than the reliance on grants in the countries relying on more buoyant taxes, like a local income tax. These findings may not be directly applicable to the African region, where property tax seems to be more buoyant than the income tax. However, this research has shown that property tax alone cannot finance the present tasks.

There is considerable variation in the national styles of local taxation, as can be seen from the table which shows groupings of countries with somewhat similar composition of local taxes, based on figures from the previous table.

**Table 2.9: Local Government Taxes, per cent of Total Local Tax Revenue (1997)**

	Income taxes (2)	Property tax	Other taxes	Total
Zambia (3) (1997)	16.1	36.2	51.3	100
Senegal (Dakar) (4)	15.1	29.8	55.1	100
Ghana	N/A	N/A	N/A	N/A
Uganda (1997/98)	82.6	17.4	0	100
Swaziland (1998)	0	100	0	100
Zimbabwe (1997)	0	100	0	100
Sweden	99.7	0.0	0.3	100
Finland	95.8	4.0	0.2	100
Denmark	93.4	6.5	0.1	100
Luxembourg	93.1	5.7	1.2	100
Norway	89.9	9.4	0.7	100
Czech Rep.	89.2	5.2	5.6	100
Switzerland (1)	84.4	15.0	0.5	100
Germany (1)	77.1	21.7	1.1	100
Belgium (1)	82.4	0.0	17.6	100
Iceland	78.2	14.7	7.1	100
Poland	59.5	32.5	8.2	100
Japan	52.6	30.4	17.0	100
Austria (1)	35.5	9.4	55.1	100
Turkey	30.8	3.0	66.2	100
Portugal	22.7	38.8	38.5	100
Spain	26.4	34.9	38.7	100
France	15.5	31.4	53.1	100
Korea	12.3	57.1	30.6	100
USA (1)	6.0	73.3	20.7	100
Italy	18.4	34.4	47.2	100
Ireland	0.0	100.0	0.0	100
Australia (1)	0.0	100.0	0.0	100

United Kingdom	0.0	99.1	0.9	100
New Zealand	0.0	90.6	9.9	100
Netherlands (1)	0.0	66.2	37.8	100
Hungary	0.0	22.2	72.8	100
Unweighted average (4)	44.7	34.8	20.4	100

(1): Federal states. Only tax revenues of local government are included, not state taxes.

(2): Includes personal and company income tax revenues.

(3): Personal levy is classified as personal income tax. Data from Central Statistical Office, Zambia

(4) : Unweighted average of 26 OECD countries.

Source: OECD, *Revenue Statistics 1965-1998*, OECD 1999. Data from the African countries is from the *Study on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision in the Sub-Saharan African Countries, 1998-2000*. Uganda: Decentralisation Secretariat, 1997/98. Senegal, Dakar 1997 as example. Zimbabwe 1997 figures, Swaziland 1998 figures.

**Table 2.10: Local<sup>1)</sup> Tax Structures, 1994 (Unweighted Averages, Per Cent)**

Taxes (tax sharing receipts included) on:	English speaking: Canada, USA, New Zealand, Australia, UK	Nordic countries: Denmark, Sweden, Norway, Finland.	Federal German speaking: Austria, Germany, Switzerland.	Unitary, Europe centre/south France, Italy, Spain
Income	1	95	72	18
Property	89	5	14	39
Others	10	-	14	44
Total	100	100	100	100

Source: Revenue statistics. OECD 1996. (See appendix 1).

All levels except central and federal state governments.

The tables also show that the English speaking countries and the Netherlands have local tax structures dominated by property taxes, while those, for example, of the Nordic countries emphasise local income taxation.

The local tax structure of the German speaking countries is dominated by the sharing of income tax. Another feature of these countries, which is also found in the last group of countries, is the widespread use of “business taxes,” like the “Gewerbesteuer” in Germany and the “Taxe professionnelle” in France. They are taxes collected on composite tax bases of items such as the rental value of buildings and equipment, local payroll and turn over. In the table, they are classified as by the OECD according to the different tax bases.

In spite of generally accepted economic advantages, the neutrality of the local property tax, and the buoyancy of the local income tax, changes from one major tax source to another are not frequent. Introduction of local taxes is politically sensitive, new taxes are difficult to introduce, and once introduced they are difficult to replace with other local tax sources.

These are the patterns for the financing of decentralisation in the old OECD countries. These patterns are found also in the countries having later developed systems of local government financing. The tentative findings in the African research countries are that the most important local government tax type is the property tax, with a potential for

other types of taxes and revenues.

In the Eastern European countries in transition, the local tax systems are only in the early stages of development. The “own” revenue sources consist typically of limited revenue from property taxes, often with central government restrictions on the local rate, and income tax. The German model of income tax sharing is widely used. These revenues have left the local governments with little own revenue. In Japan and Korea, the major tax revenue is property tax, which is also supplemented with tax sharing receipts.

### *2.3.5.3 Grants and Local Government Equalisation*

#### *2.3.5.3.1 The Vertical Imbalance*

In most countries, the central government provides grants to local authorities (see the tables above). The primary reason is that the state has not allowed local authorities sufficient tax powers to finance the expenditure assignments of local government; but there are a number of other good reasons for a certain amount of state grants/transfers to lower levels of governments.

#### *2.3.5.3.2 Grants*

Grants offer a good instrument for central government to bring local authorities into the general macroeconomic management of the economy. Local services like schools and social services should not bear the brunt of adjustments in stabilisation policies; but, in periods of severe imbalances, adjustment of such services cannot be avoided, as witnessed by recent experiences in welfare states like Sweden and Finland.

Grants may also offer instruments to influence priorities in expenditure decisions at the local level. Firstly, it must be ensured that the grants are transformed into local services and not into the private wealth of local citizens. (In rich countries, economists have given this phenomenon the derogatory name of “the flypaper effect”: the money sticks where it hits). Secondly, the central government wants to be able to influence local priorities so that they conform to central government priorities. Therefore, some of the grants are commonly designed as *special* grants for specific earmarked purposes. In contrast, *general* grants are for the free use by local authorities. Thirdly, grants can be used for equalisation purposes: to level out the differences between the “rich” and the “poorer” local authorities and to stabilise development across the different regions of a country.<sup>40</sup> Finally, grants can be appropriate to use for adjustment of the economy in situations when tasks are transferred between the levels of governments (as a kind of compensation).

#### *Specific Grants*

In terms of autonomy, grants vary from general grants, designed and distributed by objective criteria (high), to specific grants, made on a discretionary basis (low).

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<sup>40</sup> In Swaziland, it is discussed whether grants can compensate for the fact that the inhabitants from some informal settlements use the services within certain local authorities (as a form of cost-sharing).

One way to follow some of the above-mentioned objectives is to use what has been called specific grants. One example is a grant for capital purposes that can be conditioned so that the local authority must have prior approval of a project before the grant is given. Grants for operational expenditure may be automatically conditioned by local spending in accordance with specific rules, but discretionary grants are known also for operational expenditure, often in order to promote new kinds of services among local authorities. To compensate for the central lack of information and to test the strength of local priorities, some local co-financing is often required.

There are several problems with specific grants. Experiences from Chile (grants for schools and primary health care) and Colombia (matching grants for rural roads) showed that high reimbursement rates encouraged spending and became a drain on central government finances. Subsequently, reimbursement rates were reduced, but the result was that the richest authorities with the highest fiscal capacity also received the major proportion of the grants. In Chile and Colombia, this resulted in inequalities in spending<sup>41</sup>.

Specific grants require controls, auditing and much bureaucracy. This has been found to result in inefficient decision-making and to weaken economic responsibility. The Council of Europe Charter of Local Self-Government, which has now been ratified by a number of countries, states that specific grants should be changed to general grants. In recent years, reforms have been introduced in the OECD countries to replace specific grants with general grants.

#### *Grants and Equalisation*

The need for grants varies among authorities because their expenditure needs are not the same. Roads and water supply may be most costly in mountainous regions, and the costs of education and social welfare may be highest in urban areas. If some uniformity of service levels is desired, it is necessary to compensate for these extra costs. Furthermore, if local authorities are allowed some tax powers, it must be taken into account also that tax capacity varies among local authorities. The method of grant distribution also must compensate for less than average local tax powers.

The compensation for low tax capacity and high expenditure needs is called local government equalisation. Systems that consider one or both elements are developed in many countries around the World<sup>42</sup>.

Political critiques are often heard from losers who claim that their country's system of local government equalisation is too complicated. There are several reasons why it has to be so. Equalisation deals with the politically very difficult questions of redistribution; some have to give to others without getting anything in return. The result is that compromises have to be reached, and it is often politically expedient to compensate for needs of a petty nature.

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<sup>41</sup> Kiitchiro Fukasaka and Ricardo Hausmann (eds.): "Democracy, decentralisation and deficits in Latin America". OECD Development Center, 1998.

<sup>42</sup> In a number of African countries, systems of equalisation are presently under development, e.g. in Uganda and in Swaziland. The Council of Europe has developed agreed principles for this: "Equalisation of resources between local authorities", Recommendation No. R (91) 4 and explanatory memorandum, Council of Europe.

Finally, it may be noted that equalisation can be implemented without central government grants if the so-called solidarity (or “Robin Hood”) model is applied, as it is in Denmark, German *länder*, and Sweden. The idea is that the funds needed to support poor authorities are taken from the rich authorities. The method results in a more complete equalisation than is typical when grants are used, because the richest authorities are drawn into the system. The disadvantages of this system are political, and it has resulted in internal tensions between groups of local authorities. In contrast, grant financed equalisation seems to make everybody happy by some fiscal illusion, everyone gets something and nobody seems to have to pay. The potential for conflict built into this method means that it is not a model for countries in need of nation building, like Canada, China, Russia or Ukraine.

Changing from specific grants to general grants complicates the measure of equalisation of differences in local expenditure needs<sup>43</sup>. The idea of the general grants is to leave the local authorities to find the most locally efficient solutions. However, this means that the performance related criteria of the specific grants should be replaced by general “neutral” criteria for grants.

An example is the system inherited by a number of Eastern European countries from the communist regime. In some countries, criteria for needs are a set of “norms”, a number of which measure the population and its age groups, but most of which measure the number of services being supplied. Each client is assigned a norm cost, depending on the kind of institution, all somewhat below average costs. The equalisation is implemented by paying these amounts to the local authority producing the service. Some elements of this still exist, and, in some countries, the measure of local expenditure need for old age care is based on the number of elderly staying in old age homes.<sup>44</sup>

This is quite different from the methods used in most Northern European countries, where the measures of expenditure needs do not include the *number of services* but are replaced by “objective” measures of needs, understood as the cost of the number of expected clients. In the Nordic countries, the measure for the same need for finance of the elderly care is the *number of elderly people*. This leaves it up to each local authority to deliver the desired services to the elderly people at an appropriate quality and amount.

The problems of finding acceptable objective criteria for measuring expenditure needs as a basis for grant distribution are formidable. Measures of expenditure needs based on objective criteria tend to be complicated. Furthermore, local authority needs may be so different that a comparison may not be possible, the problems being typically in the extremes – the needs of small, thinly populated rural authorities measured against needs of large urban authorities.

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<sup>43</sup> This is especially a problem in developing countries where data is very restricted/limited.

<sup>44</sup> In Bulgaria, a number the criteria for expenditure needs are based on the number of places in different social institutions.

The more functions that are delegated to local authorities, the more factors that must be considered and the more complicated the formula becomes. Therefore, the system can easily become a target for criticism, especially from the contributing local governments.

It can be seen that the design of the measure of expenditure needs is closely related to the choice between specific and general grants. The move towards general, objective criteria – as well as to general grants – must depend on the local capacity to administer and produce services. When these conditions are satisfied, gains in efficiency should be possible by shifting to general grants and objective criteria of needs, and this way leaves more discretion to the local authorities. Ideally, the design of grants should both support poorer areas and encourage revenue mobilisation and cost efficiency.

#### *Procedures for Distribution*

Besides the above-mentioned conditions, it is equally important for local authorities to have a clear knowledge and understanding of the principles, timing and organisation of the grant distribution process. In some countries, local authorities know of the grants 6 months before the budget year and the distribution is 100% transparent, while in other countries grants are insecure, non-transparent and transferred very late in the budget year with non-stable instalment rates.

#### *Tax Capacity and Tax Effort and Links to Transfers*

When local authorities are allowed their own tax collection, and significant tax sources are made available, the need for equalisation of the tax base arises as well.

The difficulty of measuring and comparing differences in the tax capacity of local authorities is first the role of the local authorities themselves in improving their tax capacity. If this is not controlled, equalisation gives adverse incentives for local tax efforts. For example, in China, one of the most pressing problems is the question of how to control that the apparent low tax capacity of certain provinces is not the result of the lack of effort by the local tax administration. For this reason, it is important to develop incentives for local authorities to collect taxes and at the same time secure certain equal financial possibilities across local governments to increase revenues and to balance the finance with the needs. Local efficiency in tax collection should not be punished by a reduction of the grants from the central government <sup>45</sup>.

## **2.4 Concluding Remarks**

The above analysis of some of the indicators of decentralisation showed that many different models have been pursued around the world to set up the optimal financial system of local government and an appropriate regulatory and institutional framework for local government service provision and infrastructure. The analysis showed a trend in the direction of decentralisation, but with a great variation of methods and strategies. The following chapters contain the main findings from the country study of Ghana.

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<sup>45</sup> In some countries (for example, Latvia), there are instances where the system has provided the local authorities with incentives to increase the tax exemptions from property tax, thereby reducing the total revenues.

**Appendix No. 1 (to Table No.2.2): Local Tax Revenues as per cent of GDP, 1997**

	<b>Income tax (2)</b>	<b>Proper- ty tax</b>	<b>Other taxes</b>	<b>Total local taxes</b>
Sweden	15.8	0	0	15.8
Denmark	14.4	1	0	15.4
Finland	9.9	0.4	0	10.3
Norway	7.0	0.7	0	7.7
Japan	3.8	2.2	1.1	7.1
Iceland	5.9	1.1	0.5	7.5
Switzerland (1)	4.4	0.8	0	5.2
Czech Rep.	4.0	0.2	0.2	4.4
Austria (1)	2.6	0.4	1.7	4.7
France	0.7	1.5	2.3	4.5
Spain	1.4	1.9	2.1	4.4
Korea	0.5	2.3	1.2	4.0
USA (1)	0.2	2.7	0.8	3.7
Canada (1)	0	2.8	0.4	3.2
Poland	2.2	1.2	0.3	3.7
Germany (1)	2.1	0.6	0	2.7
Turkey	1.1	0.1	2.3	3.3
Luxembourg	2.6	0.2	0	2.8
Belgium (1)	1.9	0	0.3	2.2
Portugal	0.4	0.8	0.8	2
Italy	0.5	0.9	1.3	2.7
New Zealand	0	1.8	0.2	2
Hungary	0	0.4	1.2	1.6
United Kingdom	0	1.4	0	1.4
Netherlands	0	0.8	0.5	1.3
Australia (1)	0	1	0	1
Ireland	0	0.7	0	0.7
Greece	0	0	0.3	0.3
<b>Unweighted average</b>	<b>2.9</b>	<b>1.0</b>	<b>0.6</b>	<b>4.5</b>
Zambia	0.03	0.07	0.09	0.2
Senegal				0.8
Ghana	N/A	N/A	N/A	N/A
Uganda	0.54	0.11	0	0.65
Swaziland	0	0.5	0	0.5
Zimbabwe	0	0.8	0	0.8

(1): Federal country. Figures include only taxes at the local level.

(2): Personal and company income tax.

Source: OECD 1999, Revenue Statistics 1965-1998. Zambia figures (1997): Ministry of Finance and Central Statistical Office. Swaziland: 1998 figures, Study 1999. Senegal 1997 figures, Study 1999. Uganda: Figures 1997/98, Study 1999. Ghana 1996, Study 1999. Zimbabwe 1997 figures, Study 2000. Alle figures from African countries are from the Study on Fiscal Decentralisation and Sub-National Governance Finance in Relation to Infrastructure and Service Provision.

**Appendix No. 2 (to Table 2.2): Origin of the Resources in Local Budgets**

	<b>Local taxes</b>	<b>Fees and charges</b>	<b>Trans-fers</b>	<b>Capital raising</b>	<b>Other</b>
Albania	2.5	3.0	94.0	0	0.5
Austria	16.3	21.0	43.7	10.0	9.0
Belgium	40.8	6.0	44.3	0	9.0
Bulgaria	1.0	10.0	78.0	2.0	9.0
Cyprus	25.0	33.0	30.0	12.0	0
Czech Republic	16.0	12.0	45.0	11.0	16.0
Denmark	52.2	22.3	24.5	0	1
Estonia	0.1	0.9	91.0	2.0	6.0
Finland	39.5	24.0	28.4	5.6	2.5
France	42.0	8.0	29.0	9.0	12.0
Germany	35.0	4.0	32.0	7.0	0
Greece	27.0	8.0	63.0	2.0	0
Hungary	13.0	8.2	63.6	6.7	8.5
Iceland	16.0	21.0	57.0	0	7.0
Ireland	64.2	18.0	5.4	4.6	7.8
Italy	31.0	11.0	42.0	7.0	10.0
Latvia	65.0	1.0	29.0	0	5
Lithuania	6.4	0	87.3	0	6.3
Luxembourg	32.9	24.9	33.2	8.0	0
Malta	0.5	0	97.8	0	1.7
Netherlands	15.0	2.0	83.0	0	0
Norway	47.5	12.8	36.2	0	3.5
Poland	21.0	7.0	60.0	0	12.0
Portugal	23.0	10.8	49.5	7.5	9.4
Romania	5.0	16.0	79.0	0	0
Russia	22.0	2.5	72.5	0	3.0
San Marino	0	0	31.0	69.0	0
Slovakia	10.0	9.0	39.0	5.0	37.0
Slovenia	6.8	13.9	79.3	0	0
Spain	29.8	18.5	27.1	14.9	9.7
Sweden	56.0	15.0	20.0	0	9.0
Switzerland	46.0	24.0	18.0	3.0	9.0
Macedonia	62.3	28.8	1.5	0	7.4
Turkey	4.8	20.9	48.9	0	25.5
United Kingdom	25.0	11.0	53.0	8.0	4.0
<b>Average</b>	<b>25.7</b>	<b>12.2</b>	<b>49.0</b>	<b>5.6</b>	<b>6.9</b>

Zambia	29.8	37.3	3.4	0	29.5
Senegal	41.1	20.5	12.4	0.5	25.5
Ghana	17.8	17.6	63.8	0	1.0
Uganda	14.5	4.9	65.5	0	15
Swaziland	67.3	5.2	16.7	5.2	5.1
Zimbabwe	21.4	34.8	33.3	4.3	6.2

The table is drawn up on the basis of reports by members of the group of experts, the work by the DEXIA and in absence of any such figures, on the statistics included in a so-called CDLR report. Paper from a working group on "The European Charter of Local Self Government", Strasbourg 21 October 1997, Finances of Local Authorities (implementation of art. 9 of the charter). The figures from African countries were collected during the study on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision in Sub-Saharan Countries, 1998-2000. Zambia: Average 1994-98 figures: Source: Central Statistical Office. Senegal 1997 estimates, Local taxes for Senegal are composed of own taxes: 39.7% and shared taxes: 1.5%. Uganda: Figures 1997/98. Swaziland: 1998 figures. Zimbabwe 1997 figures, Ghana 1996 figures from 6 sample SNGs.

## **CHAPTER THREE**

# **OVERVIEW OF THE DECENTRALISATION EXPERIENCE IN GHANA**

### **3.0 Background**

#### **Evolution of decentralised government in Ghana**

Decentralised government in Ghana began with the introduction of Indirect Rule by the British colonial authorities in 1878. Indirect Rule was a policy aimed at providing statutory basis for the exercise of local government functions by chiefs and at effecting reform measures to modify the indigenous system to suit modern conditions. In order that the chiefs (who were the cornerstone of Indirect Rule) could carry out the decisions of the British government conveyed through district commissioners, the government established what was called Native Authorities (NAs). The NAs not only performed judicial functions -- like trying cases relating to disputes over ownership, possession or occupation of land within the areas of their jurisdiction -- but also operated as local government units. They were given the power to pass bye-laws relating to local matters and to raise funds in order to improve development programmes. The NAs did not offer opportunity to develop local democracy and democratic local government because of they were made up of paramount chiefs, sub-chiefs and elders, who behaved like an enlightened and benevolent oligarchy.

In 1952, a new form of decentralised authority, based on the recommendations of the Watson Commission (1948) and the Coussey Committee (1949), was introduced. The local government councils were now made up of two-thirds elected membership and one-third chiefs, with paramount chiefs as presidents of the councils. The areas of jurisdiction of the councils were re-demarcated not on the basis of chiefdoms, as was the situation under the NAs, but on the basis of two factors: population size and viability, that is, potential ability of the areas to generate local level revenues to support the local government units. These recommendations were reinforced by the Greenwood Commission (1956). The recommendations by the various commissions and committees of enquiry were to design an effective local government system that would be responsive to the needs of the people of Ghana. However, the post-colonial government of Kwame Nkrumah (1957-1966), fearing that decentralisation would promote fissiparous or divisive tendencies, encouraged centralisation of authority in the nation's capital, particularly the Office of the President. He even resorted to the fragmentation of the local government units as a way of weakening them. By 1965, Ghana had 282 local councils, which were not viable (Ayee, 1994).

In 1974, another attempt at reform of decentralisation resulted in the establishment of 65 district councils. Membership was, again, two-thirds elected and one-third representatives of traditional councils. This reform, which sought to assign central government functions of administration to local government units, also failed.

## **The state of local government before the reforms of 1988**

In November 1978, district council elections were held by General Akuffo's Supreme Military Council (SMC) government. In June 1979, junior officers of the armed forces, led by Flight Lieutenant Rawlings, overthrew the SMC government. Under the civilian government of the People's National Party (PNP), which came to power in September 1979, an announcement was made in August 1981 that an additional 40 districts would be created, bringing the total number to 105. Before the proposal could be implemented, however, the PNP regime was toppled by Jerry Rawlings' Provisional National Defence Council (PNDC) on 31 December 1981. In June 1982, the PNDC passed PNDC Law 14 to dissolve the district councils elected in November 1978. Management committees, nominated by PNDC-appointed District Secretaries (DSs), replaced the councillors.

In December 1983, the Government announced a new policy on decentralisation, which had the following aims:

- to reduce the "massive" gulf between the rural people and urban dwellers;
- to end the drift of people from the countryside to the towns; and
- to increase initiative and development in the sub-national level.

Like previous regimes before it, the PNDC at this point was interested in deconcentration or administrative decentralisation because it regarded decentralisation as the devolution of central administrative and not political authority to the local level (Ayee, 1994). Perhaps, it is worth noting that the 1983 decentralisation programme did not refer to the election of local representatives because the populist institutions of the People's Defence Committees (PDCs) and Workers Defence Committees (WDCs) were considered the appropriate representative institutions (Ayee, 1994).

From independence in 1957 to up to 1988, when the Flt. Lt. Rawlings' Provisional National Defence Council (PNDC) government introduced new local government reforms, the state of decentralisation in Ghana was vertical, undemocratic, expensive, time wasting and highly centralised. Specifically, a number of shortcomings can be identified (see Box 3.1).

**Box 3.1: Shortcomings of local government system before the 1988 reforms**

- (i) dual hierarchy structure in which the central and local government institutions operated in parallel;
- (ii) mal-administration involving corruption, mismanagement of funds and failure to perform functions assigned the local government units;
- (iii) encroachment on the rights and responsibilities of the weaker local government units by the central government;
- (iv) chieftaincy disputes that adversely affected decision-making capacity of the local government units;
- (v) inability of the local councils to generate adequate funds to support their activities;
- (vi) planning was divorced from implementation;
- (vii) inadequate transfer of financial resources from the central government to the local government units;
- (viii) extremely weak manpower of the local government units vitiated by nepotism in appointments;
- (ix) portrayal of local government units as poor, inept, inefficient and worthless development partners of central government; and
- (x) lack of participation of the citizenry in their own development process due to stifling of local initiatives by the centralised system. These shortcomings were exacerbated by military coup d'états in 1966, 1972, 1979 and 1981.

**Objectives of Ghana's current decentralisation programme**

Ghana's decentralisation programme under the Fourth Republican National Democratic Congress (NDC) government of Flt. Lt. J.J. Rawlings is a continuation of the one initiated by its predecessor government, the Provisional National Defence Council (PNDC), which took over power from the civilian government of Hilla Limann's People's National Party (PNP) government in December 1981. The government's initiative in reform of decentralisation started in 1988, with the promulgation of PNDC Law 207. The initiative for reform was inspired by the government's political philosophy of "power to the people".

The 1992 Constitution and the various legislations on decentralisation (see Box 3.2) articulate the explicit objectives of decentralisation such as empowerment, participation, accountability, effectiveness, efficiency, responsiveness, decongestion of the national capital and the checking of the rural-urban drift. Specifically, the Constitution and the legislations show that the decentralisation programme has been designed to:

- devolve political and state power in order to promote participatory democracy through local level institutions;
- deconcentrate and devolve administration, development planning and implementation to the District Assemblies (local government units);
- introduce an effective system of fiscal decentralisation, which gives the District Assemblies (DAs) control over a substantial portion of their revenues;

- establish a national development planning system to integrate and co-ordinate development planning at all levels and in all sectors;
- incorporate economic, social, spatial and environmental issues into the development planning process on an integrated and comprehensive basis;
- create access to the communal resources of the country for all communities and every individual; and
- promote transparency and accountability.

**Box 3.2: Legislations on Ghana's decentralisation programme**

The 1992 Constitution (Chapters 8 and 20); PNDC Law 207, 1988 which has been repealed by the Local Government Act (Act 462), 1993; The Civil Service Law (PNDC Law 327), 1993; Legislative Instrument (LI) 1514, 1991, which has been repealed by LI 1589, 1994; District Assemblies Common Fund Act (Act 455), 1993; the National Development Planning Commission Act (Act 479), 1994; the National Development Planning (System) Act, (Act 480), 1994 and the legislative Instruments of 1988/89 that created the 110 District Assemblies (DAs). In addition to these, there are some administrative regulations, viz., the Financial Memorandum (Section 81) of the Local Government Act, (Act 54), 1961; Financial Administrative Decree (FAD), SMCD 221, 1979); the Financial Administration Regulation (FAR), LI 1234, 1979; bylaws of the 110 District Assemblies; Model Standing Orders for Municipal and District Assemblies, 1994; Local Government (District Tender Boards) (Establishment) Instrument, 1990 (LI 1606); National Weekly Lotto (Amendment) Law, 1990 (PNDC Law 223); Trees and Timber (Chain Saw Operations) Regulations, 1991 (LI 1518) and Legislative Instruments of the Ministry of Local Government and Rural Development

**3.1 Overview of the machinery government**

**Figure 3.1: The Structure of Decentralisation in Ghana**

Office of the President		
Nat. Dev. Plan. Com. (NDPC)		Council of State 18 Cabinet Ministers
Ministry of Local Govt. & Rural Dev. (MLGRD)		
10 Regional Co-ordinating Councils		
Regional Departments		
3 Metropolitan Ass. 16 Departments	4 Municipal Assemblies 13 Departments	103 District Assemblies 11 Departments
13 Sub-Metro DAs		
Town Councils	Zonal Council	Urban Councils
	Unit Committees 16,000	

### ***3.1.1 National Level***

At the apex of the machinery of government is the Executive President, who is head of state, head of government and Supreme Commander of the Armed Forces (see Figure 1). He is assisted in the performance of his functions by a vice president, 19 cabinet ministers, 6 ministers of state at the presidency without portfolios and 29 deputy ministers. In addition, there is a 25-member Council of State, partly elected and partly appointed, to “counsel the President in the performance of his functions”. As at 1998, there are altogether 18 ministries, which are headed by ministers appointed by the President, with prior approval of Parliament. The ministers are assisted by deputy ministers, whose appointments follow the same process as that of the ministers.

The Public Services of Ghana include 14 services such as the Civil Service, Education Service, Internal Revenue Service, Police Service, Immigration Service, public corporations other than those set up as commercial ventures, public services established under the 1992 Constitution and other public services established by Parliament. Most, if not all, of the services and corporations have been placed under sector ministries, which exercise oversight responsibilities over them. For instance, the Prison Service, Fire Service, Immigration Service and Police Service have been placed under the Ministry of Interior, while the universities and the Education Service are under the Ministry of Education. The Public Services Commission (PSC), provided for by Chapter 14 of the 1992 Constitution, has been established by Act 482 of 1994.

Two institutions that keep the machinery of government going are the Head of the Civil Service (HCS) and the Secretary to the Cabinet (SC). Until the advent of constitutional rule in 1993, the two positions were held by one person. The Head of the Civil Service (HCS) is a public officer appointed by the President, acting in accordance with the advice of the PSC. In other words, the HCS can be appointed from outside the civil service. Unlike previously, the HCS has the rank of a minister of state. This is to enable his voice to be heard at the highest level. From its functions, the HCS is guaranteed the freedom to form and express his independent views on all matters concerning the management of the civil service.

The Secretary to the Cabinet (SC), on the other hand, is appointed by the President on such terms and conditions as the President may determine. He is not a civil servant.

### ***3.1.2 The Ministry of Local Government and Rural Development***

The link between the centre and the regional, district and sub-district levels is the Ministry of Local Government and Rural Development (MLGRD). Apart from being a ministry in charge of the day-to-day activities of certain agencies and departments such as Department of Community Development, the MLGRD also functions as a Local Government Secretariat, with the political role to nominate DCEs and the 30% DA members to be appointed by the President. It is thus a “super-ministry” which issues instructions and directives to other ministries, agencies and government departments as far as decentralisation is concerned.

Specifically, the MLGRD, as a Local Government Secretariat and a “super-ministry”, performs the following functions:

- monitors the decentralisation process;
- monitors the effectiveness of local government;
- advise the government on all local government issues;
- promote and administer local government training institutions;
- advise on the review of local government administrative boundaries; and
- issues guidelines to the District Assemblies and approves their bye-laws before they are enforced.

### ***3.1.3 Regional Level***

Most ministries, except defence, foreign affairs, mines and energy, have departments at the regional level. The responsibility for co-ordinating the public administration in the 10 regions lies with the Regional Ministers – presidential appointees with prior approval of Parliament – as far as the political co-ordination and control is concerned. They are administratively supported by the Regional Administrations headed by the Regional Co-ordinating Directors (RCD), who are career civil servants. The main role of the regional level is to serve as an intermediate co-ordinating and monitoring link between the central government and the districts. Unlike at the district level, there are no elected bodies at the regional level. To help the Regional Minister (RM) to perform his functions, a Regional Co-ordinating Council (RCC) under his chairmanship has been established in each of the 10 regions.

The RCC consists of:

- the Regional Minister and his deputy or deputies – government appointees;
- the Presiding Member of each District Assembly and the District Chief Executive of each district in the Region;
- two chiefs from the Regional House of Chiefs elected by the chiefs at a meeting of the House; and
- the regional heads of the decentralised ministries and departments in the region as members without the right to vote.

The Regional Co-ordinating Director (DCD) is the secretary to the RCC.

### ***3.1.4 District level***

There are 110 Districts in Ghana, each of which has a District Assembly (DA). The DA is the basic unit or fulcrum of the local government system. Most members of the DA are elected, but 30% are appointed by the President. The DAs are the political and administrative authority in the districts, with taxing powers and budgets of their own.

### **3.1.5 Sub-district level**

The sub-district structure has two tiers. They are the Urban, Zonal and Town Councils (UZTCs) and the Unit Committees (UCs). The UZTCs are not elected bodies. They consist of representatives of the relevant DAs, UCs and government appointees. They are supposed to be the rallying point of local enthusiasm in support of development objectives of the DAs. The UCs, on the other hand, are elected bodies, consisting of not more than 15 persons, made up of 10 persons elected by universal adult suffrage and 5 government appointees. The UCs perform roles like education, organisation of communal labour, revenue raising and registration of marriages, births and deaths. The sub-districts structures were only established after district assemblies' elections held in first week of August 1998.

### **3.1.6 The structure and objectives of decentralisation**

The structure of decentralisation in Ghana (see Figure 3.1) is one of a "mixed" or "fused" type of decentralised authority. In this system, institutions extending from the central government, like the District Chief Executive (DCE) and deconcentrated departments and organisations, to locally based institutions, like the District Assemblies (DAs), are linked into one organisational structure at the local level. The system is designed ultimately to abolish the distinction between "local government" and central government field agencies. This, it is hoped, would improve efficiency and effectiveness of administration through the transfer of both human and material resources to the rural areas (Ayee, 1994; 1996).

The general features of decentralisation in Ghana, as spelt out by the 1992 Constitution, the Local Government Act (Act 462), 1993, Legislative Instrument 1606 and the National Development Planning Systems Act (Act 480), 1994 and Legislative Instrument, 1589, 1994, are described below. Three aspects are of particular interest in this matter: (a) the different levels of government to which decentralised functions are given; (b) the nature of the authority given; and (c) the powers and duties that are decentralised. Specifically, the features include the following:

- Regional Co-ordinating Councils (RCCs) regulate and co-ordinate the DAs in the 10 regions of Ghana. The RCCs comprise the Regional Minister (a government appointee and representative of the Central government in Region as chairman), his deputy, two representatives of the Regional House of Chiefs, the DCEs of the districts and the Pre-siding Members of the DAs in the Region;
- There are 110 District Assemblies (DAs), three of which are Metropolitan Assemblies (Accra, Kumasi and Shama Ahanta districts with population over 250,000) having a four-tier structure and three of which are Municipal Assemblies (with population over 95,000), which, like the 103 DAs (with population 75,000 and over), have a three-tier structure (see Figure 3.1).
- There are 13 sub-metropolitan district councils. They were created to meet the complex and peculiar socio-economic, urbanisation and

management problems that confront the three metropolises, namely, Accra (with 6 sub metropolitan district councils), Kumasi (4 metropolitan district councils) and Shama Ahanta (with 3 sub metropolitan district councils).

- There are 1,306 Urban, Zonal and Town/Area Councils. They are not elective bodies. The Urban Councils are created for settlements with populations above 15,000 and which are cosmopolitan in character, with urbanisation and management problems, though not of the scale associated with the metropolises. 34 of such councils have been created since August 1998. The Zonal and Town Councils, on the other hand, are established for settlements with population between 5,000 and 15,000. The Urban, Zonal and Town Councils consist of representatives of the relevant Metropolitan, Municipal and District Assemblies, Unit Committees (UCs) and government appointees, selected by the District Chief Executive (DCE) on behalf of the President, after consultation with the Presiding Member and traditional authorities and organised productive economic groupings in either the urban, area, municipality or the town. The Councils are rallying point of local enthusiasm in support of the development objectives of the DAs (Republic of Ghana, 1994)
- 16,000 Unit Committees (UCs) are elective bodies, consisting of not more than 15 persons, made up of 10 persons elected by universal adult suffrage and 5 government appointees, selected by the DCE on behalf of the President, after consultation with the Presiding Member and traditional authorities and organised productive economic groupings in the Unit. A Unit is normally a settlement or a group of settlements with a population of between 500-1,000 in the rural areas, and higher a population (1,500) for the urban areas. The UCs performs roles like registration of births and deaths, organisation of communal labour, revenue raising and public educational campaigns (Republic of Ghana, 1994). Elections to the UCs were held in August 1998.
- The DAs are made up of 70 per cent elected representatives of electoral units within the districts; the District Chief Executive (DCE), the chief representative of the central government in the district; Members of Parliament (MPs), whose constituencies fall within the area of authority of the DAs, but who are non-voting members; and 30 per cent of the total membership of the DAs appointed by the President in consultation with traditional authorities and interest groups. In other words, the DAs are a hybrid form of decentralised authority, combining elected and appointed members.
- The membership of the DAs ranges between 54 and 130; the Urban, Zonal and Town Councils have membership ranging between 25 and 30, while the Unit Committees (for every 500-1,500 people at the grassroots level) have 15 members. The sub-district structures have been established after the DAs and Unit Committees elections held in the first week of August 1998.

- The non-partisan decentralised system ensures consensus building and promotes development.
- An Executive Committee (EXECO) (made up of one-third of the membership of the DA and chaired by the DCE) is established by each DA to implement its resolutions and oversee the administration of the district. The Presiding Member (chairman) of the DA is excluded from membership of the EXECO to prevent conflict between him and the DCE. The EC works through five statutory sub-committees, namely, (a) Development Planning; (b) Social Services; (c) Works; (d) Justice and Security; (e) Justice and Administration. These sub-committees review relevant matters referred to them by the DA or initiated by them and report to the DA through the EC. Heads of Department of the DA are technical advisers to the EC and statutorily members of the sub-committees. The sub-committees cater for the critical decentralisation objective of installing a horizontal system in which local level political authorities supervise the local level officials and ensure the relevance of the sector plans to the needs of the district and that implementation is efficient (Republic of Ghana, 1993);
- 22 departments and organisations are to be placed under the DAs to provide technical and managerial support to the DAs. Some of the districts do not have the full complement of the 22 Departments. The Local Government Act (Act 462), 1993 has empowered the Minister for Local Government to enact a Legislative Instrument that will abolish the 22 Departments and replace them with 16, 13 and 11 Departments for Metropolitan, Municipal and District Assemblies, respectively (Republic of Ghana, 1993). The Legislative Instrument to replace the 22 Departments has not been enacted.
- A Local Government Service was to be established by an Act of Parliament, with the District Co-ordinating Director (DCD) - the highest career civil servant in the district and secretary to the DA - as a member. This has not also been implemented;
- A bottom-up planning system (envisaged under the National Development Planning Systems Act (Act 480), 1993 was to be established. This has materialised with the publication of Vision 2020, the Five Year Medium Term Plan 1996-2000 and the Programme of Action accompanying the Plan;
- Composite budgets were to be introduced by the DAs. This is yet to materialise.
- 10 sources of revenue for the DAs were identified and their financial base expanded through the establishment of a District Assemblies Common Fund (DACF), into which not less than 5 per cent of total

- government revenues are paid. Proceeds of the DACF are shared according to a revenue sharing formula approved by Parliament.
- Contract awards to the districts not exceeding 250 million cedis (US\$ 100,000) were decentralised, which was a cabinet decision communicated by a Ministry of Finance circular.
  - A Public Relations and Complaints Committee, chaired by the Presiding Member (PM), was established to receive complaints made against the conduct of members and staff of the DA.
  - The Rate Assessment Committee was established to look into the grievances of persons affected by valuation policies of the DAs; and the revocation of mandate of a DA member by the electorate at a referendum organised in the district by the Electoral Commission to decide whether he should be recalled or not;
  - A District Tender Advisory Board, made up of some DA members and selected technical personnel working in the district and chaired by the DCE, was established. It advises the DA on all contract awards and other procurement matters. The DA, however, is the authority for the award of contracts. Members of the Board are required to declare their assets upon becoming members;
  - The Metropolitan, Municipal and District Assemblies are the political and administrative authorities in the districts, and they exercise deliberative, legislative and executive functions. They also provide guidance, give direction to and supervise all other administrative authorities in the districts. The general objectives of the DAs include all-encompassing functions such as responsibilities for:
    - overall development of the districts;
    - formulation of strategies for the effective mobilisation of human, physical, financial and other resources; and
    - provision of basic infrastructure and municipal works and services (Republic of Ghana, 1992; 1993; 1994).

While success in achieving such goals is very difficult to measure, the legislative instruments setting up each Metropolitan, Municipal and District Assembly provide a very specific list of up to 86 particular duties (including the provision of health and education facilities, electricity, water and road maintenance). Such legal duties do form a useful benchmark against which to measure the outputs of the Metropolitan, Municipal and District Assemblies.

The structure and the features show two things. First, there should be a decentralised system of administration, in which functions, powers, responsibilities and resources are transferred from the central government to the local government units referred to as District Assemblies (DAs). Second, decentralisation involves a delegation of power as well as changing the power relationships and distribution of tasks between levels of

government.

### ***3.1.7 Local state administration***

Political and administrative bodies are involved in one way or the other in district level administration. One political body that plays a key role in district administration is the Executive Committee (EXECO), which performs the executive and administrative functions of the DA. It consists of one-third of the members of the DA. Specifically, the EXECO:

- implements resolutions of the DA;
- oversees the administration of the district in collaboration with the office of the District Chief Executive (DCE);
- coordinates plans and programmes of its sub-committees; and
- develops and executes approved plans of the sub-district structures.

The range of functions entrusted to the EXECO makes it the nerve centre and the loom of administration at the district level. It is noteworthy that the Presiding Member (Speaker/chairman) of the DA is excluded from membership of the EXECO to forestall a personality clash between him and the DCE. The EXECO works through five statutory sub-committees, plus any other sub-committees, which the EXECO itself may decide. The five statutory sub-committees are:

- Development Planning;
- Social Services;
- Works;
- Justice and Security; and
- Finance and Administration.

Notwithstanding the important role that the EXECO plays, the DCE remains the most important and powerful figure in district administration. The DCE is not only the chief representative of the central government and the conduit for transmitting its concerns to the district at large but also the ex-officio chairperson of the EXECO. In this capacity, he is the chief executive of the total district administration. Indeed, the DCE is responsible for the day-to-day performance of the executive and administrative functions of the DA and the supervision of its departments. He is the only member who addresses the DA in session on policies determined by the President. The District Coordinating Director (DCD), the most senior career civil servant at the district and his staff, are in theory answerable to the DCE in the performance of their functions. In law and practice, the Presiding Member (PM) and the Member of Parliament (MP) do not present any counter balance to the dominance of the DCE. The PM and the MP are specifically excluded from the membership of the EXECO (Aye, 1994; 1997b).

Parallel to the political bodies of the district are the administrative institutions:

- The District Co-ordinating Director (DCD), a career civil servant in the district, heads the district administration. He is also the secretary to the DA and the EXECO.
- There are 22 line departments and organisations placed under the DAs to provide functional specialisation and technical expertise, which the EXECO and the sub-committees require in order to fulfil the executive and administrative functions. The placement has been fraught with difficulties. The personnel of the departments are employed by the central government, and they depend on their parent ministries or organisations for practically all resources needed for the running of their departments in their districts. This has created the problem of double allegiance. The original 22 departments are, however, to be replaced by 16, 13, and 11 departments under the Metropolitan, Municipal and District Assemblies, respectively, with the coming into force of a Legislative Instrument (LI) to be enacted by the Minister of Local Government. The LI, as we have already indicated, is yet to be enacted. Assuming the 22 departments are replaced, the more limited deconcentration would still not resolve the question of double allegiance which ultimately hinges on the question of who “hires and fires” the staff of the decentralised institutions. In addition to the general administration under the DA, each DA is required to establish a District Planning and Co-ordinating Unit (DPCU), made up of professional staff certified by the National Development Planning Commission (NDPC), to help the DAs perform their planning functions. Some DAs are yet to establish their DPCUs because of personnel and logistics problems.

### 3.2 Government’s policy on sub-national government finance

The 1992 Constitution and the Local Government Act (Act 462) of 1993 enjoin that DAs must have sound financial bases, with adequate and reliable sources of revenue to enable them perform their functions and responsibilities. Three main types of revenue sources for the DAs, therefore, have been provided:

- Article 252 of the 1992 Constitution established the **District Assemblies’ Common Fund (DACF)**. It provides that Parliament shall allocate annually not less than 5 per cent of total Ghana government revenues to the 110 District Assemblies on a quarterly basis for district development.
- **Ceded Revenue** is derived from revenue sources which hitherto were tapped by the central government through the Internal Revenue Service, but which central government has “ceded” to the DAs in pursuit of decentralisation. The ceded revenue is centrally collected by the Internal Revenue Service (IRS), and the total ceded revenue collected for the year is transferred to the Ministry of Local Government and Rural Development (MLGRD) which shares it among the DAs, using a formula approved annually by the Cabinet. The ceded revenue sources, which are listed in the Sixth Schedule of the Local Government Act (Act 462), are:

Entertainment Duty;  
Casino Revenue;  
Betting tax;  
Gambling tax;  
Income Tax (Registration of Trade, Business, Profession or Vocation)  
Law, 1986 (PNDCL 156);  
Income tax payable by specified categories of self-employed persons in  
the informal sector;  
Daily Transport Tax; and  
Advertisement Tax.

- **Locally Generated Revenues** (popularly referred to as traditional sources of local government revenue) are derived from the following sources:

Basic rates;  
Property rates;  
Special rates  
Fees;  
Licenses;  
Trading Services;  
Specialised Funds such as Stool Land Royalties, Timber Royalties and  
Mineral Development Fund; and  
Investments of DA funds.

The DAs are so far obliged to use allocations from the Common Fund solely for development (capital) projects, and rely on locally generated and ceded revenues to meet their recurrent costs. The establishment of the DACF has undoubtedly helped the DAs to initiate development projects and has raised the profile of the Assemblies in the eyes of their communities.

However, locally generated revenues to finance recurrent costs tend to be expensive to collect; for example, the basic rate or poll tax is fixed at only 200 cedis per adult per year in all districts, whereas collection and processing costs can amount to twice that amount per head. The DAs are faced also with reluctance on the part of many citizens to pay rates and fees, particularly in the rural communities, and are struggling to reconcile shrinking revenue bases with increasing expenditure levels.

### ***3.2.1 Power to borrow***

Section 88 of Act 462 stipulates that DAs can raise loans or obtain overdrafts within Ghana with the approval of the Minister of Local Government and Rural Development in consultation with the Minister of Finance. No approval is, however, required where the loan or overdraft to be raised does not exceed 20 million cedis (about \$10,000) and does not require a guarantee by the central government.

### ***3.2.2 Investment of funds***

Section 89 of Act 462 also stipulates that DAs may invest all or any portion of their

monies in Ghana government treasury bills or in other investment.

### ***3.2.3 Composite budget***

Section 92 of Act 462 institutes a composite budget, an integrated District Budget that synthesises and harmonises expenditure and revenue estimates of the programmes of all the departments of the DA, as distinct from sectoral budgeting which characterises the national budgeting process. The composite budget is still to be implemented.

Composite budget involves the following:

- Every District Assembly shall before the end of each financial year submit to the Regional Co-ordinating Council, a detailed budget for the district, stating the revenue and expenditure for the ensuing year;
- The Regional Co-ordinating Council shall collate and co-ordinate the budgets of the districts and shall submit the total budget to the Minister of Finance and submit copies to the Minister of Local Government and Rural Development and the National Development Planning Commission (NDPC); and
- The budget of the district shall include the aggregate revenue and expenditure of all departments and organisations under the District Assembly and the District Co-ordinating Directorate including the annual development plans and programmes of the departments and organisations under the Assembly.

### ***3.2.4 Legislation on fiscal decentralisation***

Four pieces of legislation have regulated fiscal decentralisation in Ghana. They are:

- Financial Administration Decree (FAD), SMCD 221, 1979, which makes the Ministry of Finance the primary authority for the preparation, publication and control of the national budget;
- Financial Administration Regulations (FAR), L.I. 1234, 1979, which makes the Controller and Accountant General's Department, with offices in all the 110 districts, the principal disbursement agency of government;
- Financial Memorandum for Municipal and Urban Councils, 1961, which provides control mechanisms of revenue and expenditure of local government units; and
- Local Government Act, Act 462, 1993, which provides general direction in terms of policy on fiscal decentralisation (Ministry of Local Government & Rural Development, 1996).

While the FAD and FAR provide the legislative framework for central government financial administration, the Financial Memorandum and Act 462 govern local government financial administration. The FAD and FAR provide exhaustive direction and control of financial administration which is inimical to fiscal decentralisation (Ministry of Local Government and Rural Development, 1996).

### **3.3 Concrete reform initiatives within the field of decentralisation, including fiscal decentralisation**

Ongoing reforms in the field of decentralisation include the following:

- creation of the posts of District Planning Officer, District Budget Officer and District Finance Officer;
- integration of the ministries and departments at the district and regional level into the local government organisations and the establishment of district and regional departments;
- composite budgeting;
- decentralisation of the recurrent budget;
- fiscal decentralisation and the review of SMCD 221 and LI 1234;
- ministerial restructuring;
- bottom-up planning;
- the relationship between the Local Government Service, when it is established, and the civil service; and
- the relationship between the Local Government Service, when it is established, and sector public services such as health, forestry and education;

Though fiscal decentralisation has not yet been achieved in Ghana, five important things have been achieved. They are:

- the merger of the central government and local government treasuries at the district level into one District Finance Office;
- the decentralisation of the award and payments for contracts up to limits set by the Minister of Finance (currently 250 million cedis - about US\$100,000); and
- the establishment of District Tender Boards under the revised L.I. 1606, 1995.
- ceded revenue was introduced as a funding mechanism; and
- establishment of the Minerals Development Fund and the liberalisation of the lottery business through the legalisation of District Weekly lotto operations.

A composite budget system is to be introduced to complement the bottom-up decentralised planning system and to give the District Assemblies control over their budgets (Ministry of Local Government and Rural Development, 1996).

### **3.4 Division of tasks and responsibilities between the central government and sub-national governments**

The division of tasks and responsibilities between the central government institutions and the DAs in the areas of education, health, general administration, police, fire-fighting and infrastructure development is classified into deconcentrated, delegated and devolved public services.

### ***3.4.1 Deconcentrated local public services***

Certain Services have been deconcentrated to the districts in Ghana. They are the Immigration Service, Police Service, Customs, Excise and Preventive Service, Internal Revenue Service, Prison Service, National Fire Service and Education Service. These have deconcentrated offices or branches in all the 110 districts. Although the Services do not come directly under the umbrella of the DAs, they help in the general governance of the districts.

In addition, the DAs provide certain services as agents of some state institutions. For example, the DAs in the Legislative Instruments that created them are to do the following:

- maintain as agents of the Ghana Highway Authority trunk roads lying within the boundaries of their areas of authority;
- maintain as agents of the central government, all public buildings, including prestige buildings put up by the Central government and previously maintained by the Public Works Department; and
- perform as agents of the National Sports Council by organising sporting activities and providing facilities.

The DAs do not receive any additional funding to act as agents of the state institutions. Consequently, the DAs do not perform efficiently the deconcentrated functions.

### ***3.4.2 Delegated public services***

The Legislative Instruments that created the DAs give them functions that may be classified as delegated public services. In this connection, the DAs participate in the provision of certain services that are normally carried out by other levels of government. For example, the DAs are to:

- promote and safeguard public health through the assignment of medical officers, health inspectors and other staff of the Ministry of Health;
- ensure the provision of adequate and wholesome supply of water throughout the entire district in consultation with the Ghana Water and Sewerage Corporation;
- provide or arrange for electric lighting in streets and other public places, and where necessary to provide electricity supply in consultation with the Electricity Corporation;
- build, equip and maintain primary, middle and secondary and special schools as are in the opinion of the Minister of Education, after consultation with the Minister of Local Government. In this connection, every DA is to appoint a District Education Oversight Committee to be concerned with and oversee the conditions of school buildings, provision of teachers, the proper performance of duties by staff at the schools, complaints and other matters;
- arrange the provision of public libraries in consultation with the Ghana Library Board;

- control the disposal of any African antique work of art with the prior approval of the Ghana Museums and Monuments Board;
- promote tourism in the district in co-operation with the Regional Development Corporation and the Tourist Development Board;
- register all births and deaths occurring in the district subject to control and direction of the Registrar of Births and Deaths;
- establish and maintain postal agencies, where necessary, in consultation with the Ghana Postal Service;
- provide information centres, where necessary, in consultation with the Ministry of Information;
- provide agriculture and veterinary extension work in co-operation with the Ministry of Food and Agriculture;
- promote environmental protection in the district, in collaboration with the Environmental Protection Agency, through the establishment of District Environmental Committees;
- Constitution of Community Tribunals under the Courts Act (Act 459), section 46(5). The Act stipulates that “Panel members of a Community Tribunal shall be appointed by the Chief Justice acting in consultation with the relevant District Assembly and on the advice of the Judicial Council”; and
- prevention and control of fire outbreaks in collaboration with the Ghana Fire Service.

Some of the delegated functions of the DAs are to be performed by their sub-district structures. For example, the DAs have also delegated the registration of births and deaths to the Unit Committees, which are closer to the people than the other structures and therefore more amenable to effective registration of births and deaths in their areas.

The DAs do not have the human and financial capacity to undertake the delegated public services. Problems have arisen between the DAs and the state institutions performing the functions over who is to pay for the services and how personnel will be employed. For instance, the Environmental Protection Agency (EPA) expects the DAs to promote environmental protection without assistance from the EPA. DAs have therefore tended to pay lip service to environmental issues and problems.

### ***3.4.3 Devolved public services***

There can be little doubt that the DAs, in theory, represent a decentralised system; they exhibit the key features of both devolution and deconcentration. They are not only local government units with power to make bye laws, raise revenue and dispense resources for development, but also administrative structures having delegated power for decision making. Specifically, the devolved services of the DAs are:

- district planning, which includes public hearing of district, sub-district and local action development plans;
- mobilisation and management of revenue;

- construction and maintenance of feeder roads, streets, parks, cemeteries and other public utilities;
- power of entry of premises’;
- control of the construction of buildings through approval of building plans;
- removal or abatement of obstructions and nuisance;
- rendering of relief services during natural disasters, for example, flood, fires, earthquakes, accidents, in the form of supply of material;
- making of bye-laws, which are submitted to the Regional Co-ordinating Council for approval or rejection;
- acquisition of land or buildings within or outside their jurisdictions;
- spatial planning and the regulation of physical development; and
- purchase of land, service it, and reallocate it to prospective public or private developers for development.

The deconcentrated, delegated and devolved services of the DAs make the DAs the local government units responsible for urban and rural development and services delivery, with the participation of the people and within the context of national policies.

### **3.5 Introduction to the Sample sub-national governments**

#### ***3.5.1 Accra Metropolitan Assembly***

Accra Metropolitan Assembly, which is the national capital, has evolved from the former Accra City Council. Accra as a council was established in 1894 and in 1961 was declared a city. In 1964, it was changed to Accra-Tema City Council. In April 1988, it became the Accra Metropolitan Assembly (AMA).

#### *Physical Features*

AMA is a narrow strip of land located along the coast. It is bordered on the east by Tema District, on the north by Ga District, west by Ewutu-Efutu-Senya District and on the south by the sea. The total area is about 207 square kilometres. Generally, the district is about 75 metres above sea level. The most widespread rock is granite. There are rivers and lagoons such as the Korle Lagoon, Kpeshie Lagoon, Odaw River and Densu River, which has been dammed at Weija to supply water to the western half of the city. The district experiences a dry equatorial climate with a mean rainfall of about 80 centimetres. This is the driest area in the country. As in other parts of the country, short grass and stunted trees due to bush burning for farming have replaced the original vegetation.

#### *Population*

It may be pertinent to state that population figures for all sample district use 1984 figures because this was the last time a population census took place in Ghana. All other population figures after this date are mere estimates. The government hopes to conduct the next census in the year 2000. In 1984, the population of the district was 1,014,879. It is the most densely populated area in the country, with about a density of over 1,000 people per square kilometre. The indigenes are the Ga-Adangbe people. Although Ga is a widely spoken dialect, Akan is now the widely spoken language in the city. Other languages are also spoken since the area is represented by all shades of

Ghanaian population.

#### *Education*

Accra has many leading institutions in the country from the basic to the tertiary level. As at the 1989/90 academic year, there were 280 primary schools, with 109,589 pupils, and 233 junior secondary schools with 51,508 students. The district also has one of the universities in the country.

#### *Economic Activities*

Accra, together with Tema, accounts for sixty percent of the industries in the country. About 106 industrial establishments were recorded in the last industrial census. These, together, engaged about a third of the employed population. Items produced include soft drinks, detergents, nails, perfumes, and processed food among others for both local consumption and export. The indigenes are mostly fishermen, farmers and traders. Cattle are reared on a commercial basis in some parts of the district.

#### *Infrastructure*

As the national capital, the city is linked by roads to all major parts of the country, and it has the only international airport in the country.

#### *Potentials*

The large population offers both a market and a pool of labour for prospective investors. Furthermore, the city is growing rapidly and attention is shifting to the provision of services.

### **3.5.2 Cape Coast Municipal Assembly**

Cape Coast Municipal Assembly as a district derives its name from Cape Coast town, which is the capital of Central Region and the district. The town was the national capital until 1874 when the capital was moved to Accra. Its position as an important trading post for Europeans, and as the first national capital, made it the leading educational centre in the country. It is the smallest district in the Central Region. The district is bounded on the east by Abura-Asebu Kwamankese district, on the west by Komenda-Edina-Abirem District, on the south by the Gulf of Guinea and on the north by Twifo-Hemang-Lower Denkyira District. It covers an area of about 12 square kilometres.

#### *Physical Features*

Generally, the topography consists of undulating hills ranging between 60 metres and 100 metres above sea level. Drainage is generally poor because of the combination of hilly lands, winding valleys and flat lands at several parts of the town. A number of catchment or drainage basins can be identified in the built-up parts of the town. These include those of the Holy Child and Regional Administration area, Atterbury Road area and the Ridge Kotokoraba-Castle area, all of which drain into the sea. The district lies in an area, all of which drain into the sea. The district lies in an area between the low rainfall southeastern coastal plain and the high rainfall Sekondi-Axim axis to the west, which results in peculiar weather conditions.

### *Population*

The district had a population of 86,620 in 1984. There were 42,855 males and 42,583 females in 1984, giving a sex ratio of 100.6 males per 100 females. In urban areas, there were more females than males (49.6 percent) whereas the reverse was the case in rural areas. The population of Cape Coast accounted for over 70 percent of the population in the district in 1984. The Fantes there are predominant ethnic group and belong to the Akan stock. All other major ethnic groups in Ghana can also be found here.

### *Education*

Cape Coast is essentially an administrative and educational centre. Its educational importance dates back to the 1850s, when the first castle schools were established. The first secondary school in Ghana, Mfantipim, was established in Cape Coast for boys in 1876. It now has a University, five grade 'A' secondary schools, 4 of which are in the top 10, and a Teacher's Training College for women.

### *Economic Activities*

The principal occupation along the coast is fishing, with Ewe fishermen contributing significantly to the total catch from the sea. A prominent area noted for lagoon fishing is Siwudu, a village at the northeastern end of the Fosu Lagoon. Trading is an important economic activity. It accounted for 51 percent of the employed female population. There is also mining of talc at Ekon, at the eastern boundary of the district. A few people are engaged in forestry (sawmills) and stone quarrying. About 12.5 percent of the employed population are engaged in manufacturing. Some of the industries are the Ameen Soap Factory and Pedu Soft Drinks. Twelve percent of the employed males and 7 percent of the females are in professional and related activities, engaged predominantly in the various sector ministries, hospitals, the University of Cape Coast, Police Service, the banking institutions and Ghana Telecom Company.

### *Prospects*

The district, and especially the town, has been losing population since the 1970s. A growth rate of 0.9 percent over a 14-year period points to high out-migration from the town. Although Cape Coast continues to be an important town for education, the students are mainly from outside the district. This is an area with important historical significance, which must be capitalised upon for tourism. The current restoration of the Cape Coast and Elmina Castles may help to promote tourism in the town and bring in the much-needed rejuvenation of the town and its economic base.

### **3.5.3 Tamale Municipal Assembly**

The capital of the Tamale Municipality is Tamale. Tamale is also the regional capital of the Northern Region. It is also the administrative capital, commercial and educational centre for the entire northern sector. It is bounded on the north by the Savelugu-Nanton district, on the south by East Gonja district, on the east by Yendi and on the west by Tolon Kumbungu districts.

### *Physical Features*

The district is drained by small rivers such as the Jola, Nwali, Kwaha Sangaliga and Kalagara. The Kalagara has been dammed in two places. Rainfall, which occurs from

May to October, amounts to between 100 and 120 centimetres each year. The climate supports savannah woodland vegetation, which consists of grass interspersed with trees. Annual bush burning has reduced the original vegetation to secondary savannah.

#### *Population*

In 1970, the then Tamale Local Council had a population of 98,560 of which 50.82% were males. By 1984, the population was 150,072. The district is the most densely populated north of Kumasi, the Ashanti Regional capital. Densities exceed 500 people per square kilometre in some places. The indigenes of the district are Dagombas; however, due to the status of the district as a regional capital and commercial town there are many Akans and other ethnic groups in the district.

#### *Education*

The first school in the Northern Region was built in Tamale in 1909. Since then, it has functioned as the educational centre for the northern sector of the country. In 1989/90 academic year, the district had 131 primary schools, with total enrolment of 21,719; of that number, 63.9% were boys. In addition, many Islamic schools were not part of the formal educational system. There were also 28 junior secondary schools. Their total enrolment was 6,436 students of which 68.24% were boys. Presently, there are six senior secondary schools, two teacher's training colleges and a university for development studies.

#### *Economic Activities*

The leading economic activities in 1984 were, for females, trading (60%) and, for males, in agriculture (47%). Tamale is the commercial centre for the northern sector of the country. Production and related activities engaged a quarter of the employed population. Industrial establishments include a rice mill, cotton gunnery and groundnut oil mill.

#### *Infrastructure*

Roads link Tamale to Salaga in the east, Bolgatanga to the north, and to Yendi, Kumbugu, Yapei and Karaga. The district has the best road network in the northern sector. Tamale and its outlying settlements have piped water, and they are connected to the national electricity grid. It should be noted that all district capitals are connected to the national electricity grid.

#### *Prospects*

Tamale is one of the fastest growing settlements in the country as it keeps attracting major government establishments like a teaching hospital, a university and Institute of Local Government among others. Its position as the commercial centre for the northern sector makes it possible for further natural expansion. The small-scale industrial base of the district appears to be expanding at a fast pace.

### ***3.5.4 Suhum-Krabo-Coaltar District Assembly***

The district was created in 1974, but it didn't begin operating fully as a district until January 1975. It covers an area of about 877 square kilometres. Suhum is the district capital. Although the dominant ethnic group is Akan, all other ethnic groups can be found in the district. The district is bounded by New Juaben district in the northeast,

Kwaebibirem and East Akim districts to the north, West Akim district to the west and south, and Akwapim North and Akwapim South districts to the east.

#### *Physical Features*

The district lies in an undulating area southeast of the Kibi highlands. The general height of the land is about 200 metres above sea level. The Densu river and its tributary, the Kua, are the main drainage systems in the district. There are however a number of small streams such as the Suhum that completely dry up during the dry season. The district lies within the wet semi-equatorial climate. Its vegetation therefore is mainly semi-deciduous forest.

#### *Population*

In 1988, the population of the district was estimated at 107,972. Suhum, the district capital had a population of 12,400 in 1970 and rose to 21,800 14 years later, in 1984. This gives the district an inter-censal growth rate of four percent, which is the highest in the Eastern Region. The dominant ethnic group is the Akan, but a sizeable number of Ewe and Krobo, who are mostly migrant farmers, also live there.

#### *Education*

In the 1989/90 academic year, there were sixty-nine junior secondary schools and 127 primary schools in the district. Total enrolment in primary schools was 20,831 with 54.69% of them being boys. The senior secondary schools in the district are Suhum Secondary Technical and Presbyterian Secondary Schools.

#### *Economic Activities*

Farming is the major economic activity, with cocoa being the main cash crop. Food crops are cultivated on a large scale. Citrus and oil-palm farming are also undertaken. Gold, clay mining and quarrying are undertaken on a small scale at Obuoho and Anum-Apapam. Industrial activities in the district are in their nascent forms. Besides those already mentioned, there is a garment factory and a distillery at Gyato, operated by the Department of Rural and Cottage Industries.

#### *Infrastructure*

The major roads in the district are the Accra-Kumasi, Accra-Koforidua and Koforidua-Asamenkese roads. The district is fairly accessible through a network of main and feeder roads. The Eastern Railway Line also passes through the district. There is a government hospital at Suhum. There are also homeopathic clinics operating in the district to supplement the efforts of the district hospital.

#### *Prospects*

Suhum is a pioneer cocoa growing area in the country. When the cocoa economy collapsed as a result of the black pod disease, many farmers migrated outside the district. In spite of this, the area continues to be vibrant due to its food crop base.

### **3.5.5 Tano District Assembly**

Tano district comprises the former Bechem and Duayaw-Nkwanta local council areas. It covers an area of about 1,200 square kilometres. The district, located southwest of River Tano, derives its name from the river. The people are believed to have migrated

from Asante to the present area. The district capital is Bechem.

#### *Physical Features*

Tano has a wet semi-equatorial climate, and temperatures are high throughout the year. Mean monthly temperatures range from 26 degrees centigrade to 30 degrees centigrade. There are two main rainfall periods. These are in May-June and September-October. Mean annual rainfall is about 150 centimetres. A long dry season follows the minor rains. The associated vegetation is moist semi-deciduous forest. However, due to extensive cultivation the vegetation has been reduced to secondary forest.

#### *Population*

According to 1970 population census, the population of the district was 76,627 and consisted of 28,392 males and 28,235 females. This gave a sex ratio of 100.4 males per female. By 1984, the population had increased to 92,752, with a sex ratio of 101.2 males per females. Between 1970 and 1984, the population grew at a rate of 1.3% per annum, far less than the regional average of 3.2%. The inhabitants are mainly Akans; however, other ethnic groups are there as migrant farmers.

#### *Education*

Formal education started in the district with the missions. The Catholic Mission established a school at Bechem and Duayaw Nkwanta. Samuel Otu's pioneering role in education and evangelisation in the district as a Presbyterian Missionary has been well documented. In the 1989/90 academic year, the district had 82 primary schools and 40 junior secondary schools. In the primary school were 6,787 boys and 5,817 girls, making a total enrolment of 12,604. Enrolment in the JSS was 5,005 pupils made up of 2,869 boys and 2,136 girls. There are six senior secondary schools in the district. These are Bechem Presbyterian secondary/commercial, Duayaw Nkwanta secondary/technical, Yamfo Anglican commercial secondary and Bomaa commercial secondary schools. In addition, there are schools for the deaf and the hard to hear, St. Joseph Training College, Women's Vocational Institute and a Business College at Bechem and a Vocational Institute at Yamfo.

#### **3.5.6 Asante Akim North District**

Before 1988, the district, with the present Asante Akim South District, formed the Asante Akim District. In 1988, the district was split into two to form Asante Akim North and South Districts. Konongo-Odumase, the capital of the former Asante Akim District, is the administrative capital. It shares boundaries with Asante Akim South district to the south, Sekyere East district to the north and Northwest, Ejisu-Juaben district to the Southwest and Kwahu South district of the Eastern Region to the east. It covers an area of about 1,352 square kilometres.

#### *Physical Features*

Climatically, the district experiences wet semi-equatorial conditions. A relatively high temperature averaging about 26 degrees centigrade throughout the year characterises this. The vegetation of the district is the moist semi-deciduous forest associated with the semi-equatorial climate. Due to extensive cultivation, the original forest vegetation has been replaced by secondary forest in a number of places, particularly around settlements.

### *Population*

The district's population was estimated to be 89,277 in 1984. Konongo had a population of 20,600 in 1984. Between 1960 and 1970, the population of the town virtually stagnated but increased at a rate of 1.6% per annum between 1970 and 1984. Konongo owes its early development and growth to gold mining. However, in the 1960s the mines were closed down when the quality of the ore declined. Some of the mines were re-opened in the 1980s, when another economically viable reef was discovered. Although the indigenes of the district are predominantly Akan, there are other ethnic groups in the district.

### *Education*

In the 1989/90 academic year, there were 46 kindergartens, 77 primary and 33 junior secondary schools. The enrolment in the primary schools consisted of 7,580 boys and 7,057 girls with a sex ratio of 107 boys per 100 girls. At the JSS, the enrolment was 3,118 boys and 2,495 girls totalling 5,613. The sex was 125 boys to 100 girls, a ratio slightly higher than that of the primary schools. There are three senior secondary schools in the district of Odumasi, Konongo and Domeabra and a teacher's training college for women at Agogo. In addition, there are two private commercial schools at Agogo. Agogo, with its location on a highland, attracted early Basel Missionaries.

### *Economic Activities*

Agriculture is the main occupation. Crops grown include plantain, cocoyam, groundnuts, maize, oil palm, cocoa, coffee on a small scale and sugarcane. There are a number of sawmills in the district. Prominent among them is the Godben and the Konongo sawmills in the district. Under a UNICEF Project, weanimix factories have been set up at Obenimase, Praaso and Patriensa. Cottage industries like *akpeteshie* distilling, weaving and basketry, soap making and palm oil making are scattered throughout the district. Mining used to be an important economic activity at Konongo up to the 1960s. However, due to the declining quality of the ore the mines were closed in the 1960s. As a result, Konongo experienced population decline in the 1970s. Some of the mines have been reactivated with the discovery of new ores by Southern Cross Mining Limited.

### *Infrastructure*

The Kumasi-Accra road passes through the southern section of the district at Konongo-Odumasi. The rest of the district, particularly the northern section is poorly linked. The other major road is from Konongo to Agogo. The rest of the roads are either third class or feeder road linking settlements to the few main roads. The eastern railway line, which runs parallel to the main Kumasi-Accra road also, passes through Konongo. There are three hospitals in the district. Two at Konongo and the third is at Agogo. The Presbyterian Church owns one of the two hospitals at Konongo while the Konongo mines run the other. In addition, there is a private clinic and a health post at Konongo, and three out of the four maternity homes in the district are at Konongo. The fourth is at Odumasi. There are health posts at Dwenase, Praaso and Juansa. Considering the number of towns and villages in the district, health facilities in the district appear to be concentrated around Konongo. Agogo, Konongo and Odumasi are served with pipe borne water. The rest of the communities rely on hand-dug wells, boreholes and streams for their source of drinking water.

*Potential*

The fertile soil and arable land in the district makes it a potential area for the establishment of large-scale commercial farms. With the legalisation of small-scale mining, and the infusion of resources into mining, some of the old mines in the district have been re-opened. This will help to revive the district, particularly Konongo, which hardly grew between 1970 and 1984.

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## CHAPTER FOUR

### THE FINANCES OF THE PUBLIC SECTOR

#### 4.1 Introduction

The previous chapter noted that until 1988, when the new local government reforms were introduced, the state of decentralisation in Ghana was fraught with deficiencies, including:

- mismanagement, petty corruption and inability of decentralised units to generate adequate funds to support their activities; and
- inadequate transfer of financial resources from the central government to local government units on the other.

This chapter will provide detailed understanding of the fiscal and financial processes that directly affect the abilities of the decentralised units to fulfil their mandates. The chapter will also examine the depth and veracity of stated deficiencies, using primary data from the six (6) assemblies sampled in Ghana. These authorities are:

- Accra Metropolitan Assembly;
- Cape Coast Municipal Assembly;
- West Dagomba Municipal Assembly;
- Suhum- Kraboa-Coaltar District Assembly;
- Asante-Akim North District Assembly; and
- Tano District Assembly.

These assemblies were selected on the following criteria:

- type (metropolitan, municipal and district);
- geographical location (i.e. northern, middle and southern regions of Ghana); and
- age (newly created and old).

#### ***4.1.1 General Data and Relations between Central and Sub-National Governments Revenue and Expenditure***

The 1992 constitution of Ghana and various pieces of legislation on decentralisation (Section 65 of the local government law 1971, Act 462 of 1993, Financial Administration Regulation LI 1234 of 1979) explicitly underscore the need for the introduction of an effective system of fiscal decentralisation that gives the local government units<sup>46</sup> a substantial portion of their revenues (not less than 5% of total revenue)<sup>47</sup>.

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<sup>46</sup> Local government units refers to the District Assemblies

<sup>47</sup> Total revenue includes all revenues collected by or accruing to the central government other than foreign loans, grants, non-tax revenues and revenues collected by assemblies.

#### 4.1.1 Total Public Expenditures and Revenues for 1990-1996

Appendix 4.1.1 presents details of total public expenditure and revenues over a seven-year period, 1990-1996. During the considered period, total public revenues, according to Central Bank statistics, increased by 747% over the 1990 figure of ₵247.5 billion to about two trillion cedis. Correspondingly, total public expenditure grew by 1029% over the 1990 figure of ₵263.97 billion cedis to ₵2,716.40 in 1996, hence presenting a deficit picture.

Except for 1991 and 1995, total public expenditure always exceeded total public revenue over the considered period. Over this same period, the value of Ghana's currency was weak in relation to international currencies such as the dollar. Inflationary trends, therefore, account for the huge percentage increases in revenues and expenditures, besides increased infrastructure and development expansions embarked on by the government under the Economic Recovery Programme (ERP), initiated in 1983.

Below is a graphic representation of inflationary trends over the period 1993-1997.

Graph 4.1.1

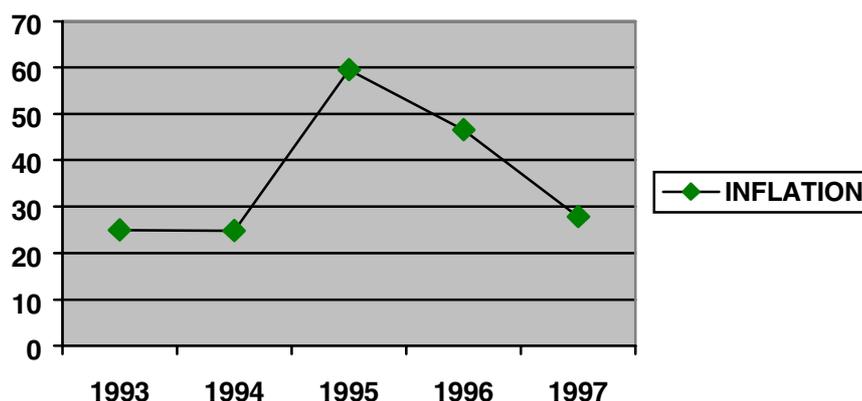


Table 4.1.1 Inflation Rates for 1993 – 1997

YEAR	1993	1994	1995	1996	1997
RATE	25	24.9	59.5	46.6	27.9

Source: Bank of Ghana Annual Reports

Table 4.1.2 Public Revenues and Expenditure in Billion Cedis

Item / Year	1993	1994	1995	1996
Total Public Expenditures	774.55	1,143.94	1,780.43	2,716.40
Total Public Revenues	661.53	1,139.18	1,987.54	2,096.83

Source: Bank of Ghana for national figures and MLGRD for sub-national governments

**Table 4.1.3 Dollar-cedi exchange rate**

YEAR	1993	1994	1995	1996	1997
RATE ¢	822.20	1050.93	1446.14	1740.37	2250

Source: Bank of Ghana Annual Reports

#### ***4.1.2 The Share of the Sub-National Governments in Public Expenditure and GDP***

Available data on the share of sub-national governments in public expenditure and revenues is shown in Appendix 4.2.1.1. The available information provided by the Ministry of Local Government and Rural Development covers the years 1995-6 (97 for some data only). For 1995, total public expenditure was 1,780.43 billion cedis. That of sub-national governments amounted to 71.12 billion, representing 3.99% of government expenditure. The following year the percentage share of sub-national expenditure in total national expenditure was 4.14%. The actual income in sub-national expenditure rose over the period 1995-1996 by 48.7%.

The increases in the expenditure of sub-national governments could be attributed to inflation during the period under discussion (see graph 4.1.2 above), financing development projects of the assemblies, improvement in local revenue collection as well as improvement in financial management.

The data show that, as at 1996, the share of sub-national expenditure expressed as a percentage of public expenditure was still less than the 5%<sup>48</sup>. Sub-national government expenditure is mainly from revenue, which is from sources, including transfers from central government and the assemblies' own sources. The total of all these revenues when used is still smaller than the five-percent to be given to district assemblies. This shows that the government is transferring less than the five percent of its revenues to the district assemblies.

#### ***4.1.3 The Share of Sub-National Governments in Public Revenues and GDP***

As in the case of 4.1.2 above, the available data of sub-national governments revenue expressed as percentage of the national revenue is for 1995 and 1996. This is what was available at the Ministry of Local Government and Rural Development. Data available at the Bank of Ghana for the national figures is for 1994-1996. In 1995, sub-national government revenue amounted to 74.11 billion cedis. This amount expressed as a percentage of total public revenue is 3.73%. Similarly, in 1996, sub-national revenue was 5.25% of total public revenue, a rise in revenues attributable to increases in transfers from central government to district assemblies in 1996. Another claim, albeit controversial, has been that 1996 was an election year, and the government sought to influence votes through increased funds transfer. It is worthy of note, however, that the 1995 inflation figure was 59.5%

The sample district assembly revenue officers attribute increases in revenue to efficiency in revenue collection, periodic increases in fees and rates, the institution of revenue task forces in some districts, greater income from lorry parks since handing

<sup>48</sup> The actual figure was 3.99

them over to the Ghana Private Road Transport Union (GPRTU), basing of salaries of revenue collectors on how much they collect and restructuring of treasury departments in some assemblies.

Sub-national Government revenues are expected to increase in the coming years, given increased capacity building in financial management at assembly levels by Government and donor interventions, increased public education, identification of new sources of revenues and improved financial management at district levels.

#### ***4.1.4 The public sector debt from various sources (domestic borrowing, concessionary external lending and non-concessionary external lending)***

Ghana's debt is made up of government stocks, treasury bills, bonds, compensatory stocks, development bonds and loans from COCOBOD, Railways and Ports long-term government stocks, among others.

Ghana's total public and publicly guaranteed external debt as at December 1998 stood at 5,893.65 million dollars<sup>49</sup>. The State of the Ghanaian Economy Report for 1997 states that interest payments on foreign debts have continued on an upward trend since the 1980s. It is during this period (1980s) that the government began the Structural Adjustment Programme. The report further concludes that as a result of this increase in interest payments, coupled with general decline in commodity prices (such as gold and cocoa), "the ratio of interest payments to exports rose from 5.2% in 1996 to about 6.5% in 1997"<sup>50</sup>. Reasons for this rise include currency depreciation and the rate of inflation (refer to currency and inflation Table 4.1.1 and 4.1.2.).

Domestic debt, according to Bank of Ghana Statistics, stood at ₵3,445 billion, as at 1997-year end. According to the State of the Ghanaian Economy in 1997 (p41), "the growth of the domestic debt stock in 1997 was mainly the result of massive increases in government stocks and treasury bills. Whereas the growth of the treasury bills more than doubled from 4.1% in 1996 to about 8.8% in 1997, the stock of treasury bills grew from 23.8% in 1996 to 32.6% in 1997."

#### ***4.1.5 Share of Public Debt Attributable to Sub-National Governments***

*The Local Government Act (Act 462), 1993 Section 88 stipulates that District Assemblies can obtain loans or overdrafts only with permission or approval of the Minister of Local Government and Rural Development, who in turn must do so in consultation with the Minister of Finance.*

There are no formal overdraft facilities negotiated, but, on the strength of the common fund coming through their branches, the banks allow the assemblies to overdraw sometimes, as in the case of Suhum District Assembly. This is a local arrangement between the bank managers and the districts. Until otherwise known outside the scope of this assignment, it is fair to state that Sub-national Governments, as at now, have not taken loans or overdrafts; although they are empowered to borrow, in practice they cannot do so. One of the reasons is that they have not had the opportunity to establish

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<sup>49</sup> Source: Bank of Ghana

<sup>50</sup> *The State of the Ghanaian Economy* in 1997 p40 by Wilco Publicity Services Ltd.

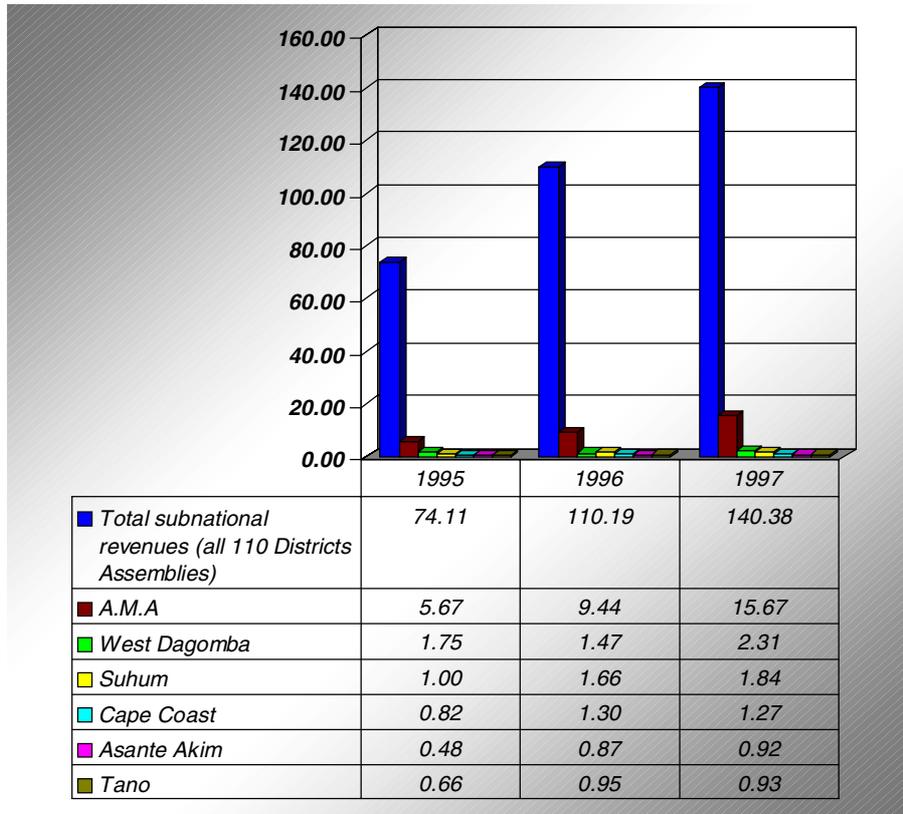
histories of debt servicing, and they have thus been considered credit risks. Again, the continuous control of national government over capital/ infrastructure projects has not offered the assemblies opportunity for innovative means of meeting their infrastructure needs. In fact, their transfers from governments, in some instances, have not been completely utilised; hence, they have had a surplus in some years. Besides, transfers from the government (DACF) are usually done on a quarterly basis, which ensures that sub-national governments have regular income. This analysis, however, does not nullify the need for sub-national governments to generate additional sources of income to meet emerging demands, such as creating employment through a complimentary partnership with the local private sector to meet the infrastructure development expectations of numerous towns and villages under the assemblies.

## **4.2 Data on Sub-National Governments**

As indicated earlier, sub-national governments normally refer to the one hundred and ten (110) districts in the country. This section will analyse data on sub-national revenues and expenditures and compare them with similar data on the sample assemblies.

MLGRD data on revenue and expenditure of all 110 assemblies is available for the years 1995 and 1996. The data does not give a breakdown for all 110 districts. However, the total sub-national expenditure and revenue figures are given (refer to appendix 4.2.1.1 and the graph below).

**Graph 4.2.1**



Graph 4.2.1 above is a comparison of total sub-national revenues (all 110 District Assemblies) with revenues of selected assemblies in million cedis.

A comparison of revenues of some sample assemblies and total revenues for all 110 district assemblies are shown above. The distinctions between a metropolitan, municipal and district assembly are clearly demonstrated in their revenue levels. Opportunities exist for the metropolitan and municipal assemblies to generate much more revenue because of their bigger populations and larger economic bases, whereas the reverse is the case for some of the others.

For 1995, total revenue for all 110 districts was 74.11 billion cedis. Total expenditure for the same year amounted to 71.12 billion cedis. A breakdown shows that 19.74 billion was spent on recurrent expenditure, while 51.38 billion was spent on capital expenditures. The total sub-national expenditure, expressed as a percentage of national revenue for 1995, is 3.57%. This percentage is less than five percent of what is expected to be disbursed to all assemblies from total public revenue on yearly basis. Each year, five percent of all revenues accruing to the national government is to be set aside for district assemblies. The 1995 expenditure for all district assemblies is also less than the five percent of revenues to have been disbursed to district assemblies.

In 1996, total revenue was 110.19 billion for all sub-national governments, representing 5.25 of the national revenue figure for the same year. Total expenditure within the same period amounted to 112.44 billion, also representing 4.14% of the national figure. A breakdown shows that 34.58 billion was spent on recurrent

expenditure, while 77.86 billion was spent on capital expenditures.

#### ***4.2.1. Overview of General Sub-National Revenues and Expenditures (Recurrent and Capital)***

Total sub-national revenues (i.e. for all 110 districts) amounted to 74.11 billion in 1995 and 110.19 billion in 1996. The 1996 figures represent an increase of 48.7% over that of the 1995 figure. Similarly, in 1997, total revenue was 140.375 billion cedis, which represent an increase over the 1996 figures of 27.4%. This figure is close to the level of inflation of 27.9% for 1997.

Over the same period, sub-national expenditures for all sub-national governments were 71.12 billion in 1995. A breakdown gives 19.74 billion for recurrent expenditures and 51.38 billion for capital expenditures. In 1996, total expenditure was 112.44, which represents an increase of 58.1% over the 1995 figures. The average rate of inflation for the 1995 year was 59.5%. This shows an increase of 11.5% above the year's inflation rate of 46.6% for 1996. A breakdown of expenditures gives 34.58 billion cedis as total amount spent on recurrent expenditures and 77.86 billion cedis as being spent on capital expenditures. The 1996 recurrent expenditures represents an increase of 75.2% over the 1995 figures, while that of capital expenditure represents 51.5% increase over the 1995 capital expenditure figures. In each of the above instances, the percentage increases are higher than the corresponding inflation rates for 1996.

In 1997, total sub-national expenditure amounted to 135.30 billion cedis. Of this, 43.6 billion cedis was spent on recurrent expenditure, while 91.7 billion cedis was spent on capital expenditures. These figures represent an increase of 26% for recurrent expenditure and 17.8% for capital expenditure over the 1996 figures.

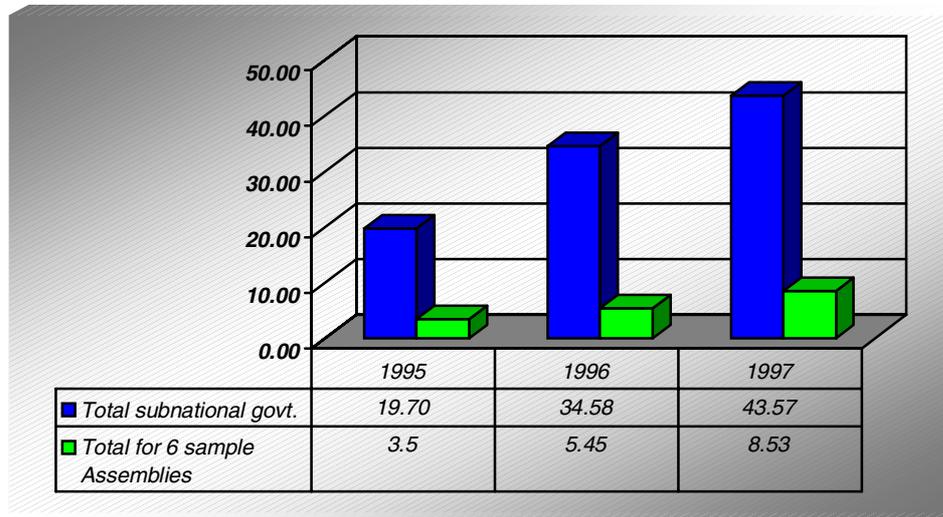
The trend for the sample assemblies shows consistent increases over the period of review. The percentage increase for all sample assemblies' expenditure in 1995 over that of the 1994 figure was over a hundred percent. The percentage increase of the 1996 expenditure over that of the 1995 expenditure was just under hundred percent. (99.5%) In each of the above instances, the percentage increases were higher than the inflation rates for the corresponding years under discussion. The reasons for the increases include increased capital expenditures on projects at the district levels. The sample assemblies undertook infrastructure developments and the provision of amenities such as markets. This is borne out by the fact that, of the entire expenditure for the sample assemblies for 1995, capital expenditure accounted for 52.1% and 62.5% for 1996. In 1997, capital expenditure was also above 50%.

The expenditure patterns have also increased as a result of DACF transfers, which are meant for specific capital projects. The DACF was instituted in 1994, and it has become a regular feature of District finances.

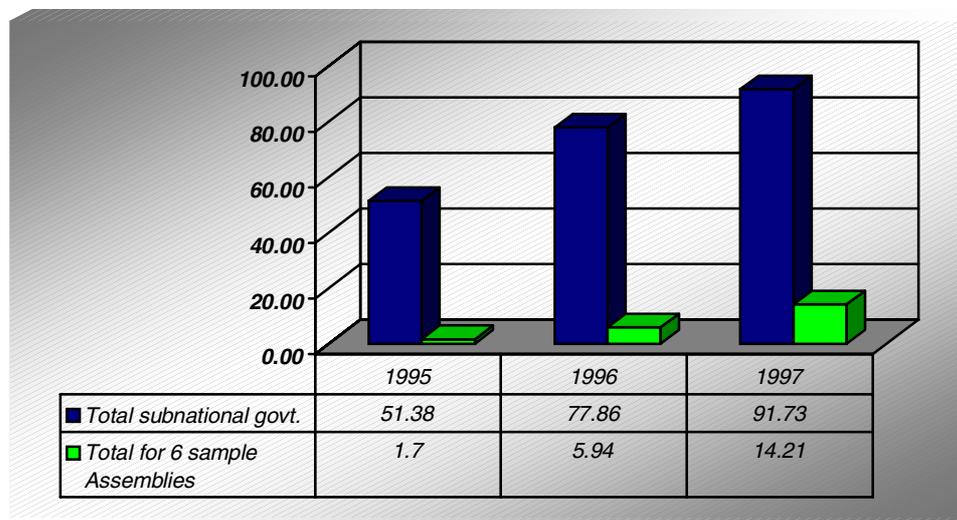
Revenues for the sample assemblies over this period have also shown consistent increases as in the case of expenditures. The 1996 revenues showed an increase of 52%; the 1995 figure and that of 1997 showed an increase of 46% over the 1996 figures.

The increases are not entirely attributable to inflation. The sample assemblies claim that they have improved revenue collection during the considered period. The DACF allocation to each district has also helped, as the amount a district gets is tied to how much revenue it collects.

**Graph 4.2.2 Graphic representation of sub-national and sample assemblies recurrent exp. billion cedis**



**Graph 4.2.3 Graphic representation of sub-national and sample Assemblies' capital exp. in billion cedis**



#### **4.2.2 Sub-National Recurrent Expenditure**

Sub-national recurrent expenditures are available for the years 1995-1997 only as shown in graph 4.2.2 above. As stated earlier in this report, MLGRD could neither provide data beyond the years shown above, nor give a breakdown of the figures. The available data has been presented in Appendix 4.2.2.1. In 1995, recurrent expenditure of sub-national governments was 19.74 billion, which represented 27.76% of their total expenditure. In 1996, it was 30.75% and increased to 32.2% in 1997. The data on the

sample assemblies are presented in a breakdown format, giving specific amounts that went into education, health, administration, community amenities, recreational and economic services as well as other tasks.

Data breakdowns are not available regarding wage and non-wage expenditures. The sample assemblies claim that payments are made from one central point, and expenditures for various items are then made based on the budgets for each year. Therefore, it is difficult to determine the amount spent on wages when, in reality, all expenses are expected to be for non-wage purposes. Besides this, the government pays salaries of some staff of the assemblies, while the assemblies pay that of the rest. Those payments are not a part of recurrent expenditures for health, education, sanitation and other services. As a result, there are no wage components in such expenditures. The researchers, however, have made some breakdowns into wage/non-wage expenditure based on the following ratios:

- For General Public Services, 70% went into wages and 30% into non-wage expenditure.
- For Recreation and Culture, and Other Tasks, 90% went into wages and 10% into non-wage expenditure.
- For Education and Community Amenities, 75% went into wages and 25% into non-wage expenditures.
- For Health, 65% went into wages and 35% into non-wage expenditure.
- For Social Security and Welfare, 85% went into wages and 15% into non-wage expenditure.
- For Economic Services, 80% went into wages and 20% into non-wage expenditure.

The above have been the ratios used for the breakdowns in appendices 4.2.2.2-4.2.2.7.

The recurrent expenditures of the assemblies are made up of General Public Services, which refer to general administrative expenses. Education refers to what the assemblies spend on the sector each year. Health expenditures include educational campaigns on health related issues, while Social Security expenditures are for social security purposes only. Welfare expenditures relate to those expenses in relation to the welfare of staff of the assemblies. Community Amenities relate to expenses on water supply, sanitation and solid waste management. Economic services relate to expenditure on markets, transport, roads and energy. Figures for expenditures on the various sectors for all sub-national governments were unavailable. However, those for the sample assemblies are presented in the table below in billion cedis.

<b>ITEM/YEAR</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
General Public Expenditures	2,494.3	3,994.5	6,405.7	7,862.9
Education	9.5	7.7	794.1	147.4
Health	14.4	21.1	429.7	682.2
Social Security	6.7	10	7.5	120.1
Community Amenities	22.3	987.3	94.2	60.9
Recreation, Culture, Religious	0.1	0.1	20.3	8.9

Economic Services	0.96	5.4	4.5	2.7
Other Tasks	987.4	436.8	772.5	1289

#### **4.2.3 Sub-National Capital Expenditure**

Data on sub-national capital expenditures are available for the years 1995-1997 in bulk figures without a breakdown as to the specific bases for the figures. (See graph 4.2.3 above)

In 1995, total sub-national capital expenditure amounted to 51.38 billion cedis, which constitutes 72.25% of total sub-national expenditure for that year. This increased by 26.5 billion cedis, representing an increase of 51.5% for 1996. However, when expressed as a percentage of total sub-national expenditures for 1996, it fell, in comparison with the previous year, by 3% to 69.20%.

In 1997, total sub-national capital expenditure was 91.73 billion, which represents an increase of 17.8% over 1996 figures. When expressed as a percentage of 1997 total sub-national expenditure, this comes to 67.8%.

Tables for sample assemblies' capital expenditures follow that of the sub-national governments, with a breakdown, just as in the case of recurrent expenditure under 4.2.2. Wherever other tasks are shown, it refers to many small expenses, which have been lumped together. These include donations (to families of bereaved staff and in other instances), conferences and seminars, education campaigns, etc. These expenditures vary for each sample assembly. A table on capital expenditures for the sample assemblies, according to the various sectors, is presented below in million cedis.

<b>ITEM/YEAR</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
General Public Expenditures	214.4	1,398.6	1,532.5	1,682.9
Education	39.4	927.2	2,134.5	2,650.2
Health	24.1	1,010.7	1,285.2	1,629.8
Social Security				
Community Amenities	4.4	228.1	650.9	803.2
Recreation, Culture, Religious			241.3	66
Economic Services	141.4	213.5	430.8	415.2
Other Tasks	5.5	185	43.1	508.4

#### **4.2.4 Sub-National Revenues**

Total sub-national revenue (i.e. for all 110 assemblies) figures available are not in a form that is broken down to include shared taxes, local own taxes, etc. However, sample assemblies have the data in the format that is required.

Sample assemblies generate revenues through user fees and charges from sources such as water supply, sewerage, sanitation, roads, education, health, market rents, etc. The largest revenue source continues to be the government, through its transfers to the assemblies, followed by own taxes, user charges and fees, other revenue sources and shared taxes.

Market rents and sanitation also constitutes a major source of income for sample assemblies. These two revenue sources gave AMA 432.2 million cedis in 1995. For West Dagomba, market rents provided it 10.84 million cedis in 1996, while the total for other revenues for the district amounted to 18.76 million.

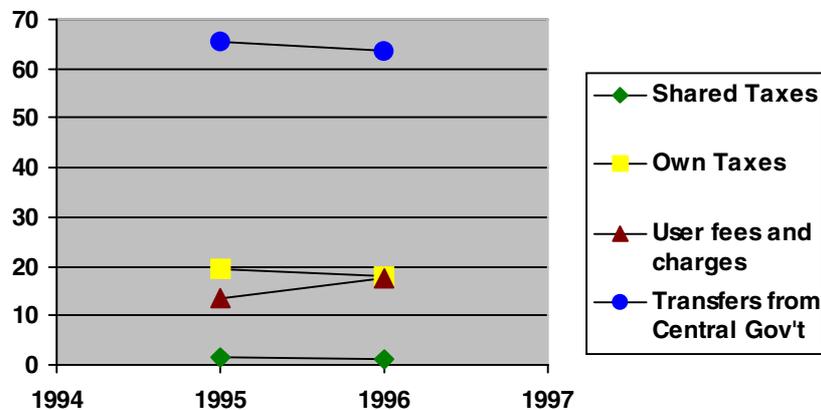
The available data on revenues for sample assemblies shows that the exact receipts from the sources listed change from year to year. For instance, water supply for AMA for the years 1994-1996 shows receipts of 120,000 cedis for 1994, nothing for 1995 and 560,000 for 1996. No explanation was given for the year during which there were no receipts. The probable explanation (officials were unable to give cogent reasons for the above) might be that the assembly was unable to enforce collection of water rates. One other reason could be that the sources of revenues are not properly codified to allow for systematic and comprehensive collection of rates due the assembly. Incomes from own revenue sources have increased over the years, 1994-1997 for the sample assemblies. It is believed however that in spite of this, the assemblies have a poor collection record.

User fees and charges constitute the third largest source of revenues for District Assemblies. This is also true for the selected sample assemblies, except for some years when the total of all other revenues are high, as shown under this section.

The district assembly common funds transfers are usually for capital projects. Many toilets, assembly halls and other related infrastructure have been constructed. Citizens of the district normally use these facilities at a fee. They have come to represent a constant source of revenue for assemblies, although the rate of return on investment is rather low. Since 1998, additional revenue sources have been provided to the assemblies to assist them in poverty alleviation in their respective districts and municipalities.

Graphs 4.2.4(a) to (f), below, are presentations on percentage contribution of revenue sources for the six sample assemblies. Details of revenue sources are discussed in section 4.2.9.

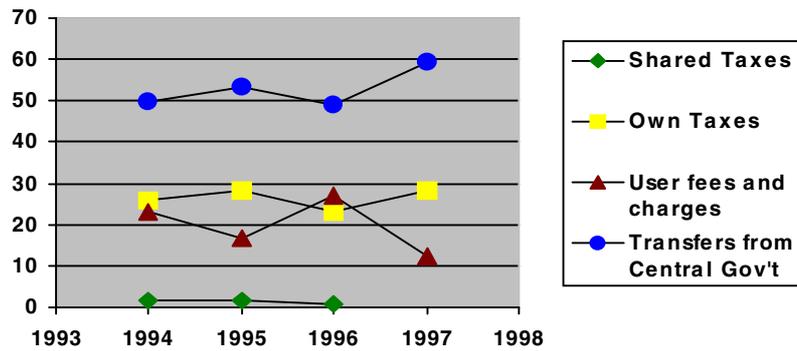
**Graph 4.2.4 (a) The aggregated percentage contribution of revenue sources to total revenues for the six sample sub-national governments**



Item / Year (%)	1995	1996
Shared Taxes	1.6	1.0
Own Taxes	19.4	17.8
User Fees and Charges	13.5	17.6
Transfers from central Govt.	65.4	63.6

Source: The six sample sub-national government's assemblies

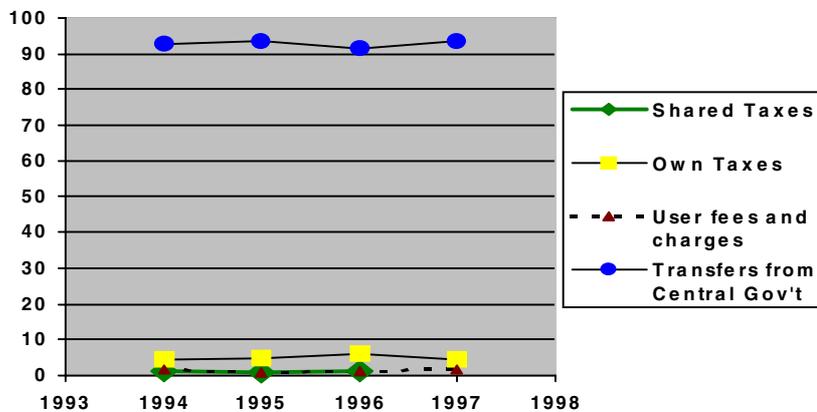
**Graph 4.2.4 (b) Percentage contribution of revenue sources to total revenues for AMA**



Item / Year (%)	1994	1995	1996	1997
Shared Taxes	1.6	1.4	0.7	N/A
Own Taxes	25.7	28.3	23.2	28.4
User Fees and Charges	23.2	16.8	27.2	12.2
Transfers from central Govt.	49.6	53.4	48.9	59.4

Source: Accra Metropolitan Assembly

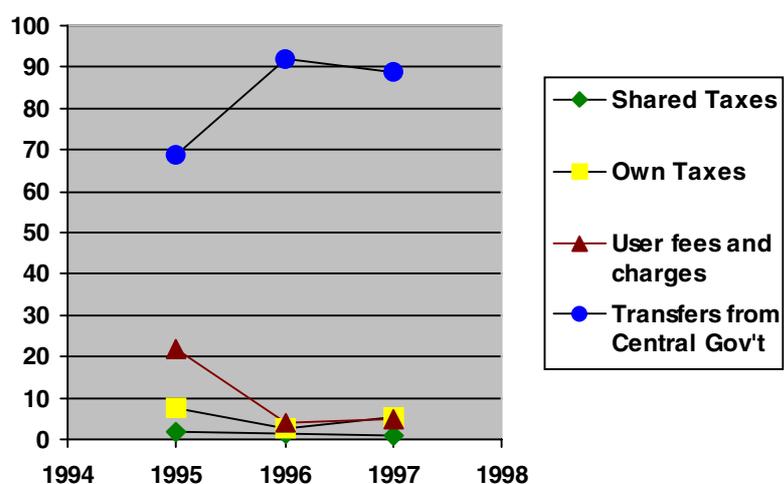
**Graph 4.2.4 (c) Percentage contribution of revenue sources to total West Dagomba revenues**



Item / Year (%)	1994	1995	1996	1997
Shared Taxes	1.1	1.0	1.2	N/A
Own Taxes	4.6	4.7	6.1	4.6
User fees and charges	1.5	0.7	1.3	1.8
Transfers from central Govt.	92.8	93.5	91.4	93.7

Source: West Dagomba Municipal Assembly

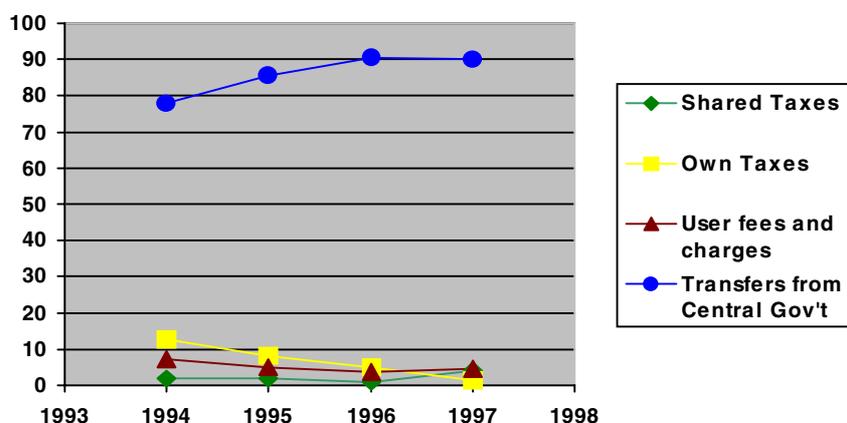
**Graph 4.2.4. (d) Percentage contribution of revenue sources to total Suhum revenues**



Item / Year (%)	1995	1996	1997
Shared Taxes	2.0	1.3	1.0
Own Taxes	7.6	2.5	5.2
User fees and charges	21.7	4.2	4.9
Transfers from central Govt.	68.7	92.0	88.9

Source: Suhum District Assembly

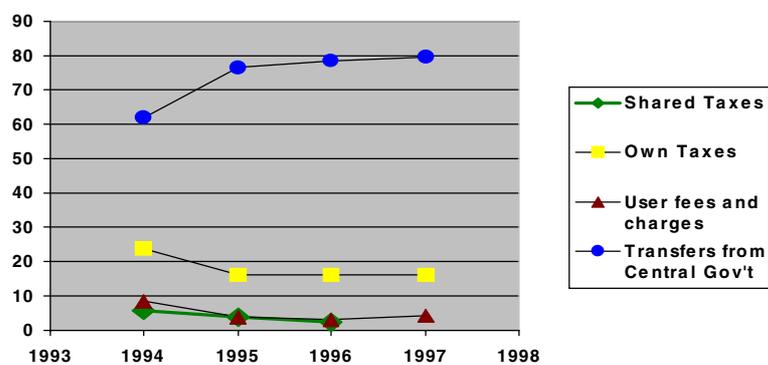
**Graph 4.2.4. (e) Percentage contribution of revenue sources to total Cape Coast revenues**



Item / Year (%)	1994	1995	1996	1997
Shared Taxes	2.0	1.6	1.1	4.0
Own Taxes	12.5	8.0	4.9	1.4
User fees and charges	7.4	4.8	3.4	4.7
Transfers from central Govt.	78.1	85.6	90.6	89.9

Source: Cape Coast District Assembly

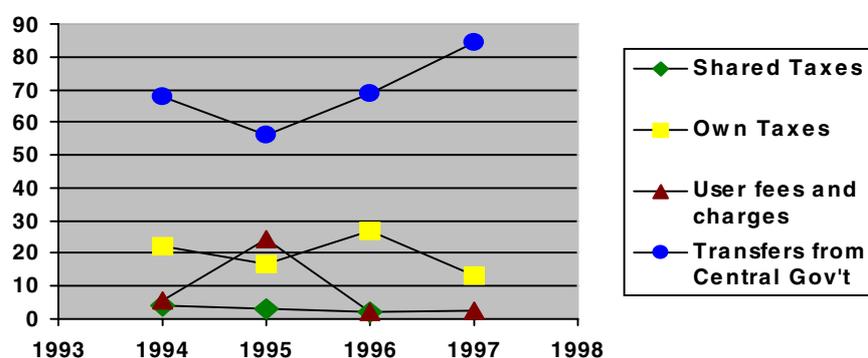
**Graph 4.2.4 (f) Percentage contribution of revenue sources to total Asante Akim North revenues**



Item / Year (%)	1994	1995	1996	1997
Shared Taxes	5.6	3.8	2.4	N/A
Own Taxes	23.7	16.0	16.2	16.0
User fees and charges	8.6	3.7	3.1	4.2
Transfers from central Govt.	62.0	76.4	78.4	79.8

Source: Asante Akim North District Assembly

**Graph 4.2.4. (g) Percentage contribution of revenue sources to total Tano revenues**



Item / Year(%)	1994	1995	1996	1997
Shared Taxes	4.1	2.9	2.2	N/A
Own Taxes	22.3	16.6	27.0	13.3
User fees and charges	5.6	24.3	2.0	2.4
Transfers from central Govt.	68.0	56.3	68.8	84.4

Source: Tano District Assembly

Sample assemblies did not have their taxes broken down into corporate taxes, income taxes, etc. In Ghana, all income taxes, excise taxes and value added taxes are collected by the government through its relevant sector agencies. At the district level, however, the tax or user fee to be charged each year normally goes through a particular process. Typically, the budget committee meets and decides how much ought to be charged. When this has been done, the Finance and Administration Sub-committee of the assembly meets. Following their review, the general assembly then votes to accept or reject the charges.

Sometimes, the taxes or user charges so set do not reflect the situation on the ground; that is, they are not set at an economic level due to concerns about the residents' affordability.

#### 4.2.5 Transfers from Other Governmental Levels to the Sub-National Governments

**Table 4.2.5 Transfers from Central Government**

Item / Year	1994	1995	1996	1997
Total transfer (Billion cedis)	38.4	58.7	86.4	106.3
Transfer to sampled assemblies (Billion cedis)	3.3	6.7	10.0	15.8
Transfer to sampled assemblies (% of total transfer)	8.6	11.5	11.6	14.8

Source: Office of the District Assembly Common Fund

Transfers are from the central government to the sub-national governments. This is done through the district assemblies' common fund. Accra Metropolitan Assembly had the highest allocation of 9.3 billion cedis for a single sub-national government in 1997. Transfers are by far the most important revenue source for the sub-national governments, contributing with more than 60 % of the total revenues from the reviewed period.

Transfers from the central government are usually for specific purposes, for example payment of salaries or ceded revenues (which were originally collected by government). The Common Fund Administrator allocates district Assemblies Common Funds to all districts. Districts are allocated these funds primarily for development purposes. The amount a district receives is linked to how much revenue a district is able to generate locally, besides other factors such as the needs factor, equalising factor, service pressure factor and contingency factor.

The needs factor, education and health sectors have been identified as the main sectors for which common fund allocations have primarily been used and for which credible data exists.

The responsive factor makes use of the revenue generated by an assembly per capita for the basis of allocation. Thus a district, which is able to generate more revenue, is rewarded with more fund allocation under the responsive factor.

Service pressure has population as its main indicator. This factor looks at the population in the district and the corresponding level of services available to the population. Based on this, fund allocations are made relating the population to the available services.

The Equality factor is meant to ensure that all districts have a basic minimum, in terms of infrastructure.

The Contingency fund has now been made the Reserve fund. Ten percent of all Common fund allocations are paid into the reserve fund before distribution is made.

The disbursements are done on quarterly basis. However, due to delays in transfers, fourth quarter disbursements are usually made in January or even February of the following year. Usually, the Common Fund Administrator determines the formula for allocation of the common fund on a yearly basis. The formula is then submitted to parliament, which agrees before disbursements are made. The transfers are not always done on a timely basis, and there are instances where fourth quarter disbursements are made the following year.

Our research has not been able to establish whether these transfers discourage revenue generation at the local level or not. However, it is believed that the cost of revenue generation at the district level may be higher for some districts. From our visits to the selected sample assemblies, it became clear that some districts are in deprived areas where there are not many avenues for revenue generation. Some officials of the MLGRD believe that since some districts receive allocations from the common fund anyway, it does not encourage the assemblies to find other means to generate revenue.

It is claimed that as the grants from government keeps increasing, revenues of the district assemblies keeps decreasing. Their revenues not enough to meet their expenses, and it is believed they will continue to depend on the government for a long time to come.

It is believed continuous and strict streamlining of the use of the DACF by MLGRD and the Fund Administration increased transparency and accountability on the use of the common fund. It is also believed continuous pressure on them to increase local sources of revenue generation in a cost efficient manner would go a long way to enhance efficiency of sub-national governments in financial management.

#### ***4.2.6 External Finance of the Sub-National Public Sector***

The finances of the sub-national governments are derived from four main sources:

- the traditional revenues - comprising rates, fees and licenses, investment income and rent;
- central government transfers - including ceded revenues (which are revenues originally collected by the government but which have now been given to the assemblies) - and transfers from the District Assemblies Common Fund.
- other locally-generated revenues - including royalties land, rent, etc.;
- and
- external assistance from donor agencies and NGOs.

Assistance from NGOs and donor agencies is becoming increasingly popular. For example, DANIDA is spending nearly \$ 7 million for the next five years (1999-2003) to assist 17 districts in Upper West and Volta Regions. The European Union and USAID, under International Foundation for Electoral Systems Project Escell, are assisting selected district assemblies and civil society organisations for institutional strengthening and financial support. The Ministry of Agriculture is currently running a Village Infrastructure Project, aimed at increasing the quality of life of the rural poor through increased technology transfer and financial assistance for the development of basic village infrastructure that can be sustained by beneficiaries. This project is valued at \$60 million, and it will benefit all district assemblies. The funding agencies include the government of Ghana, IFAD, World Bank, KFW and the beneficiary communities.

There is also the community-based Social Development Project, which is benefiting selected districts in the northern part of Ghana and which is valued at \$450,000. Other projects include the National Poverty Alleviation Programme Social Investment Fund, financed by the government of Ghana, the Africa Development Bank and the UNDP. AMA is one the five beneficiary assemblies under this programme.

Officials of the MLGRD explained that donor support to the assemblies is not always routed through the ministry; hence, a clear idea of exact figures for projects on-going at the districts was not available.

For some districts, donor assistance has become the main resource for undertaking capital projects necessary for development at their level. Some donor agencies have

supported projects in the areas of sanitation, health, education, rural electrification, feeder roads, irrigation and market development, among others. In Tano District, the assembly has received assistance from the European Union for development projects in the areas of health, sanitation and education. IFAD has financed an irrigation project at Dubbonpang and a feeder road at Tanoso. IFAD has also constructed a market at Bechem. The World Vision International has provided some educational infrastructure and public places of convenience. The Tano example is similar to that of Accra Metropolitan Assembly, which is benefiting from support for sanitation from GTZ. AMA and Tamale are both benefiting from a World Bank Project in Urban development.

#### ***4.2.7 Sources of Finance for Selected Types of Infrastructure***

##### *4.2.7.1 Water Supply*

Water supply and distribution in Ghana is mainly the responsibility of the Ghana Water and Sewerage Corp (GWSC) through the Ministry of Works and Housing, which provides the policy framework and monitoring in this field. The GWSC is the executing/implementing agency, is responsible for maintaining supply lines and undertakes revenue collection. Recently, the Community Water and Sanitation Agency (CWSA) was set up, and it is responsible for rural water supply. While the assemblies do not have direct responsibility for water supply, in cases where a district is in a deprived area they may contribute towards water supply or sink a few boreholes or wells. In such instances, token fees are charged to users of the facilities to help with maintenance costs. Urban dwellers pay a little more towards extension of services to the rural areas as part of their monthly bills.

The main types of infrastructure connected with water supply are the treatment and pumping stations (where water is treated, stored and pumped to customers), different sizes of pipes for transporting water and other ancillary equipment.

As stated above, the responsibility for provision of potable water is that of the government. Central Government remains the major financier of the water sector. GWSC is expected to operate as a profit making entity in order to generate enough revenue for further expansion work. As at February 1999, consumers owed GWSC 30 billion cedis. This makes it difficult for the corporation to realise its revenue generation targets.

In recent years, district assemblies, through the District Assemblies Common Fund, have undertaken projects that have resulted in the provision of boreholes for some communities. CWSA, with funding from some donor agencies, has also provided boreholes and potable water to many communities. Funding for the water sector is therefore diverse, with central government being the major sponsor. Many donor agencies such as DANIDA, World Vision International, CIDA, Water Aid and others now supplement government and community efforts. For instance, in Tano District, funding for water supply has been from the District Assembly (DAFC), the Government through GWSC, community contributions, the World Bank and the European Union. The boreholes, when completed are given over to the communities to manage. The costs of construction are borne by the NGO, the district or the community,

depending on the initiator of the project. When handed over, the boreholes are managed through user fees. There are 70 standpipes and 100 boreholes in Tano District.

#### *4.2.7.2 Sewerage*

The Ghana Water and Sewerage Corporation is the agency responsible for the provision of water and sewerage systems in the country. Over time, however, its operation has been restricted to mainly to provision of water, with the sewerage aspect not being emphasised.

Sewerage systems, which link entire communities, are not abundant in the country. Only certain portions of Accra, Tema and some other areas in the country have sewerage systems. Funding for these systems was, at the time of construction, the responsibility of the central government. In recent times, sewerage systems have not been designed for entire communities. Each house has its own septic tank, which is emptied when full.

Provision of places of convenience (public toilets), however, is the responsibility of District Assemblies. It is the responsibility of every district to ensure that conditions within its sphere of influence are hygienic. Some assemblies have tankers, which are exclusively used for septic tank cleaning at a cost to the beneficiary.

Sanitation is the responsibility of the District Assembly, as is the case in all sample assemblies. Some of the sample assemblies have donor support to manage sanitation; the AMA, for example, has support for waste management from NGOs and donor agencies such as GTZ.

#### *4.2.7.3 Electricity Distribution*

Electricity production and distribution are solely in the hands of the Volta River Authority and Electricity Company of Ghana. Funding for electricity distribution is, as already stated, provided by government. However, this is supplemented by the District Assemblies through the Self-Help Electrification Projects (SHEP). They provide electricity poles and other equipment to speed the pace of electrification. For Tano District Assembly, funding for electrification is from the District Assembly, European Union and Government. As in the case of water supply, urban dwellers pay a percentage towards rural electrification.

#### *4.2.7.4 Roads*

Roads in Ghana can be classified into three main categories

- highways/trunk roads;
- urban roads; and
- feeder roads

All trunk roads and highways are the responsibility of the Central Government, through the Ghana Highway Authority. The District Assemblies, however, contribute towards levelling feeder roads within their jurisdictions. They purchase fuel for graders and

contribute towards allowances of the operators, as is the case of the Tano District Assembly. Urban roads are the responsibility of the department of urban roads.

In 1966, 213km of first class roads were resurfaced, and 87km of roads were regravelled. The department of feeder roads rehabilitated a total of 1,080km and regravelled 920km of feeder roads. The 1977 budget proposed 159.8 billion cedis from budgetary resources for roads, with an expected 285.6 billion cedis from foreign sources bringing the total to 445.4km. Maintenance of roads is financed through road taxes. Bridges are maintained through user fees.

#### *4.2.7.5 Education facilities*

The central government is the main financier of education facilities in Ghana through grants. This is done through the Ministry of Education. In 1996, the government allocated 15.6 billion cedis to the Ministry of Education, and 18.2 billion in 1997. These monies were spent on the provision of science resource centres, provision of buses and rehabilitation/construction works at the universities and polytechnics.

Donor support also finances facilities for education in Ghana. In 1997, expected donor support towards education was valued at 38.9 billion cedis. The 1999 budget has also made 768.9 billion cedis available for education. Facilities to be provided include KVIPs (ventilated pit toilets), residential accommodation for teachers and rehabilitation of 2000 classrooms.

District Assemblies also help with rehabilitation and construction of classrooms and other infrastructure. This is mainly from the District Assemblies Common Fund (DACF). The Parent Teacher Associations, Churches, Old Students and Citizens Associations also help support education in their districts through the provision of some facilities.

#### *4.2.7.6 Health Facilities*

The Government is the main financier of health facilities, through the Ministry of Health and capital grants to the assemblies through the DACF. Donor support in this area is also common, such as the DANIDA Health Sector Support Programme currently on-going in the Volta and Upper West Regions. Again, a group of donors comprising the World Bank, DFID, DANIDA and the Government of Netherlands, among others, have pulled together over \$298 million to support the Ministry of Health's capital development programme under its five-year programme of work. These monies are to be used to build, rehabilitate and upgrade health centres, district and regional hospitals as well as equipment to facilitate easier access of the citizenry health services countrywide. The District Assemblies also contribute towards health by providing some infrastructure - such as buildings, beds and other equipment - through allocations that the Government gives, as already indicated. Churches also help by establishing hospitals, health centres and clinics. In 1996, the health sector was allocated 25.1 billion cedis in the development budget. Donor inflows were expected to reach 105.1 billion cedis.

During the 1996 fiscal year, rehabilitation work was undertaken in several government

hospitals. In 1997, 38.3 billion was made available to the health sector, with 7 billion going to District Assemblies through the DACF.

For 1999, the health sector has been allocated 325 billion cedis. 16 new health centres would be constructed, and some regional hospitals would be rehabilitated, including the two teaching hospitals in the country. Other facilities for the health sector, which would be financed by government in 1999, include operating theatre equipment, scanners, radiology equipment and other ancillary equipment.

#### ***4.2.8 Relationship between Expenditure and Tax Assignments between the Levels of Government***

District Assemblies generate revenue from own taxes, user charges and fees and shared taxes. The proportion of revenues generated by the assemblies is low in comparison with transfers from central government. As a result, government transfers are the main source of revenue. The MLGRD officials estimate that, over the years, government grants to the assemblies have risen from 61.3% of the assemblies' revenues to 74.4% in 1997. This change shows the growing significance of government transfers and, hence, the power of central government in relation to the assemblies.

Own taxes refer to the taxes the assembly sets such as development permits needed for development of any structure and is controlled by the government.

User charges and fees relate to charges for the use of certain infrastructure (such as public toilets) and the fees charged for the issuance of licenses or permits. As in the case of own taxes, the assembly also controls this.

Shared taxes relate to the taxes accruing to the assemblies from such sources as taxes on tree felling and land rents that are shared with between the government, stools and the assemblies.

At the sub-national level, there seems to be no direct links between expenditures and tax assignments, i.e. monies collected from taxes are not assigned to specific expenditure. The only exception is where the user charges are meant for specific purposes such as repairs and maintenance on bore holes. Expenditure in most cases cannot be related to any specific source of tax revenue. Furthermore, expenditure is not related to own sources of revenues. The Medium Term Expenditure Framework (MTEF) is a new concept in budgeting and monetary control that has been introduced for assemblies recently. When operational, The MTEF will link budgeting with strategic planning in order to achieve set objectives. The general focus is to prepare broad based budgets that contain both recurrent and capital expenditures and allocate resources to activities based on priorities.

Sub-national governments have the power to set rates, but they have to be approved by the regional coordinating councils and MLGRD. These rates include user fees and charges. The rates proposed are usually accepted by the assembly when it is satisfied that the people can afford them.

Variations in quantities and qualities of service are not solely dependent on assemblies.

Generally, assemblies purport to undertake tasks and development projects that would be of benefit to the people. In the provision of certain services - for example, KVIPs - the rates and fees charged are normally not economic because the users cannot afford charges based on full cost recovery. When this occurs, the quality of the service becomes poor, as there is not enough money to maintain such places of convenience (toilets). As a result, cost recovery for the provision of such social infrastructure is not possible, and there is a low rate of return.

Tasks that are to be undertaken by sub-national governments are usually not supported by sufficient financial resources. Complaints centre on the fact that transfers from DACF and other government transfers, in most instances, do not get to the districts on time. As a result, they have to delay projects and other tasks until funds from government have been received. This is a cause of increases in project costs, which have been advanced by some contractors. Furthermore, assemblies are not given the autonomy to raise the necessary finances to support the provision of services or perform all their assigned tasks.

#### ***4.2.9 Estimation of the Sub-National Government Revenue Potential***

Expanding local taxes and fees is a principal strategy for increasing sub-national government resources (SNG). This requires clear areas of justification for local taxation and reduction or elimination of overlaps with central government in a fiscal decentralisation setting. This is because a local tax by definition is one that is assessed by a SNG, at rates determined by SNG and collected by SNG and its proceeds accruing to SNG. Provision should be made for periodic review of taxation rates and bases, because in many instances the obsolescence of these has significantly depleted fiscal resources.

Local taxes in Ghana can be grouped into three categories namely: taxes on income, taxes on property and taxes on expenditure. Financial resources available to SNGs from internally generated revenue are generally very small compared to such resources transferred from central government. Efforts to increase own source local revenues in recent years have centred on the revaluation of property rates and collection of property taxes. The local government law empowers SNGs to generate revenue from levies, fees and licenses for specified activities. The law provides that such revenue shall be taxed or collected exclusively by SNGs, although they may authorise other government bodies to collect revenue on their behalf. Some revenues (land and tribunal fees) are collected by central government on their behalf. Local resources can also be in the form of either general rates, which are levied over the whole area, or special purpose rates for specific activity in the area. In practice, only a few of the many revenue sources are tapped by SNGs such as property rates and market fees, which generate the bulk of local revenue.

Property rates are potentially the most lucrative source of local revenue for SNGs, especially the metropolitan and municipal assemblies. In Accra, for instance, the Land Valuation Board established in 1986 took over the property tax valuation work of the former Land Valuation Division of the MLGRD. The World Bank-assisted Accra District Rehabilitation Project with the assistance of the United Kingdom Valuation Office carried out a revaluation exercise in 1988. Accra was reported to have achieved

a 70% increase in property tax revenues in real terms between 1988 and 1990.<sup>51</sup> According to the above source, the property tax revenue increased each year from 1988 to 1991 but declined in 1992. This is attributed to a breakdown in the revenue collection and monitoring system. It could be also be attributed to the frequent changes in leadership: that is, three mayors in less than two years. It was later discovered that Accra lost about ₵170 million in 1992/1993 due to misappropriation by rate collectors. It could thus be attributed to weak local financing institutions to ensure proper monitoring and accountability. The overall trend is flat in real terms, an implication that perhaps real capital property tax revenues have declined. The large number of central government properties in the city could also be a cause for the low yield in this sector of revenue.

Recent efforts to revalue properties have been helpful, but fundamental problems remain. Some relate not just to the property tax but also to the local government system in general. The fundamental problem in this regard is that the operations of the Land Valuation Board are not decentralised; in other words, SNGs have not established the valuation, billing and collection mechanisms needed to sustain increase property tax collection. Most SNG property valuations have not been updated for some time. In any case, the Land Valuation Board could develop a simple indexing system that could be used to keep up with changes in market property values.

Fees and charges fall under the category of revenue on expenditure. Generally, these include local sales fees, fees on vehicles, entertainment, hotels and the like. In most SNGs, this is limited to slaughterhouse fees, market dues, lorry park dues and trading services, an implication of restriction of revenue base for SNGs.

Local business taxes would appear to offer enormous future potential as a major revenue source for SNGs. Key measures would include simplifying the number of levies, setting rates at higher (but affordable) levels and ensuring that billing and collection are performed in a cost effective manner.

User charges are another form of revenue that is not very common with SNGs. User charges are imposed to recover capital cost of infrastructure and services provided. Semi-autonomous government institutions, rather than the SNGs themselves, mostly manage these. Thus, services such as electricity and water supply, which are of direct benefit to the payer, are not within the control of SNGs. The only charge administered in almost all the SNGs, which fall under this category, is lorry park charges and market rent.

Another group of local taxes is the income-based taxes. SNGs are not permitted to handle income taxes in any form. In Ghana, most SNGs collect the basic tax. The basic rate is the poll tax levied on all adults in the local area. The basic rate is currently among the least important own source revenues to SNGs. The cost effectiveness of collecting the basic rate, especially at its current low level, is a matter of concern for efficiency purposes. The regressive nature of the tax also raises equity issues.

Another form of local revenue is the non-monetary contribution, which used to be an

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<sup>51</sup> Source: World Bank Tabulation of Ghana Metropolitan and Municipal Assemblies 1994.

important source of expenditure for public service, due to the significant role of voluntary contribution (self-help) in local development in Ghana's economic history. Expenditures on projects in local areas tend to have an input from local communities in the form of labour and other resources, which in most cases represent about a third of overall project cost. In urban Ghana, however, this is fast declining and, in many cases, completely absent. People now view it with suspicion because government often used community participation to persuade recipients to accept what has already been decided, just to economise on the cost of providing services.

The other arrangements, such as revenue from District lotteries, are said to be currently under-utilised. This may be due to the lack of proper institutional mechanisms for monitoring this revenue source.

Estimating the revenue potentials of the assemblies in terms of actual cash receipts may be difficult. The assemblies realise that the increasing cost of living is eroding their revenue base in terms of the ability of their citizens to pay taxes, especially in the rural areas. This notwithstanding, sample district and municipal assemblies estimate that their own revenues would grow at a rate of approximately between 5% and 10% annually. The Metropolitan assemblies on the other hand estimate their revenue potential to grow at a rate of 10% and above annually. In each of the above instances, the revenues estimated are subject to the approval of the assemblies.

#### ***4.2.10 Evaluation of Tax Assignment and Administration of Taxes***

The taxes assigned to central government are from income tax, value added tax, excise duties and domestic and international trade taxes.

Tax	Who set the base tax	Who set the rate	Administration
Property tax	Central Government	Assembly	District Assembly
Income tax	Central Government	Central Government	Central Government
Basic rates	District Assembly	District Assembly	District Assembly
Licenses	District Assembly	District Assembly	District Assembly

Sub-national governments, on the other hand, are assigned under the local government law, Act 462, to collect taxes on entertainment, casino betting, rates and levies on crops (other than cocoa, coffee, cotton and shea nuts), fees, licenses and taxes chargeable on income of self employed.

These tax assignments to SNGs indicate a wider scope according to the provisions of the law. However, the taxes actually collected by SNGs, especially in the six sample assemblies, are limited to fees on slaughterhouses, market dues, lorry park dues and trading services, an implication of restricted revenue base, as discussed in the preceding section. This may be because the SNGs lack capacity in the administration of these taxes, which are supposed to be collected by government (IRS) and ceded to the SNGs in the form of transfers. However, the mechanism for sharing, in terms of how much comes from the respective assemblies, is not clear. Thus, the assemblies are unaware of a clear modus operandi to effectively determine whether the transfers they receive are adequate or not.

In the administration of taxes at the SNG level, tax collection is actually done through the fee fixing resolutions approved by the assembly through the finance and administrative sub-committee and collected by revenue collectors. The deficiency identified with this system is the lack of an established database of rateable people. Furthermore, the fee fixing resolutions usually do not relate effectively to the estimated Assembly revenue targets assigned to the revenue collectors.

Another major problem besetting the administration of taxes at the SNG level is corruption and lack of transparency in revenue management. The result is that most SNGs cannot cover their recurrent expenditures. In some few instances, some Assemblies use the DACF to finance their recurrent budget, a practice that has attracted sanctions from MLGRD. Fortunately, none of the six sample assemblies has been a victim of this incidence.

There is lack of capacity for establishing an effective system for revenue collection and monitoring in most assemblies the sampled one not excluded. Besides, they lack the necessary manpower and infrastructure to cope with the demands of revenue collection.

#### ***4.2.11 Analysis of Sub-National Governments Credit Worthiness***

District Assemblies were formerly called Local Councils. In the old local government system, Local Councils were sub-national groups, comprising essentially a district chief executive (who was an employee of the office of the head of civil service), a treasurer from the Controller and Accountant General's Department and a Local Government Inspector from the Ministry of Local Government.

The corporate image of the erstwhile local council was one of inefficiency and corruption; hence, banks did not feel secure dealing with them, even though they were legal entities.

Under the district assembly concept, the management staffs of the districts have been expanded to include district budget officers, district planning officers and, within the finance office, district finance officers.

The responsibility of the assembly, as enshrined in the Local Government Law (PNDCL207), and the new Local Government Act (Act462), provides for assemblies to coordinate economic development of their districts and to solicit funds for development through economic ventures. The implementation of this has been rather slow except the establishment of development companies by some assemblies.

In spite of the above, financial institutions are hesitant to lend to sub-national governments. Some of the finance officers the researchers interviewed see the assemblies as arms of government against whom it would be difficult to enforce court rulings. Furthermore, most of the assemblies' buildings and other infrastructure, which could be used as collateral against securing loans, are in a state of disrepair. This naturally makes their value low. They cannot contract loans beyond 20 million cedis. Anything above this amount would need the approval of the Minister for Finance and Minister for Local Government and Rural Development (MLGRD).

The Assemblies are also precluded from using District Assemblies Common Fund for the purchase of treasury bills or government bonds. They are not able to generate enough revenue because of the deficiencies discussed in the earlier report.

However, some Assemblies have informal advance arrangements with their respective banks, knowing well the DAFC would pass through the banks. The Tano District Assembly, for example, has acquired about 20,000 shares in Ghana Commercial Bank, valued at about \$8000.00.

The reasons for the downward trend in the revenue generation include poor remuneration for revenue collectors, embezzlement of funds and poor revenue collection methods.

## **CHAPTER FIVE**

# **INFRASTRUCTURE AND SERVICE PROVISION BY THE PUBLIC SECTOR**

### **5 Introduction**

In this Report, infrastructure and service provision (ISP) refers to the processes and systems for the provision of facilities such as education, health, road construction and maintenance, electric power supply, water supply, sanitation services and other physical infrastructure and utilities. Providers of such facilities include central government, parastatals, sub-national governments and other actors. These other actors include the private sector, non-governmental organisations and the users of the infrastructure and services.

This chapter is in five parts. First, it investigates the division of responsibility among the different levels of government. Second, we examine the organisational patterns of ISP. Third is a discussion of the indicators on the comprehensiveness of ISP, regarding consumer needs. Fourth, we analyse the issue of affordability of ISP, drawing heavily on official sources. Fifth and finally, the chapter reviews the role of new infrastructure investment in relation to existing stock within sub-national governments (SNGs).

#### **5.1 Division of Responsibilities among the different levels of Government**

The Government clearly states its commitment to ISP in the Local Government (Urban, Zonal and Town Councils and Unit Committees) (Establishment) Instrument, 1994. The Instrument empowers Sub-National Governments with the necessary technical expertise and equipment to fulfil their mandate. They also enjoin the private sector and beneficiary communities to contribute to ISP.

The enunciated policy aside, the implementation of the lines of responsibility within the government system leaves much to be desired. Definitions of responsibilities are fuzzy at the levels of control/management and actual delivery. Overlapping responsibilities within the system are considerable. An example of this is that responsibility for construction and/or maintenance of feeder roads is shared between three different agencies. Ineffective co-ordination among the various stakeholders seems to have compromised efficiency in the delivery of services to consumers. This Study has uncovered several institutional weaknesses caused essentially by the prevailing fragmentation of administrative and operational responsibilities between the various institutions and agencies. Table 5.1 shows the division of responsibilities among the different levels of Government involved in ISP.

Central Government is the primary provider of education and health services; parastatals are responsible for electricity, water and sewerage, and Sub-National Governments for solid waste removal. Responsibility for roads is divided between central government agencies and SNGs.

**Table 5.1: Division of Responsibilities among Different Levels of Government**

Responsibilities	Central Government	State Enterprises (Parastatals)	Sub-National Government (Assemblies)	Other Institutions
1. Education				
a. Primary				
b. Secondary				
2. Health Facilities				
3. Community Amenities				
a. Water Supply				
b. Sewerage				
c. (Street Sweeping)				
d. Electricity Distribution				
e. Solid Waste Management				
4. Economic Services				
a. Transport				
b. Roads				
c. Electricity Production				

Responsible



Not Responsible



Since 1994, however, the District Assemblies have contributed to the provision of educational facilities using the District Assembly Common Fund. The same is true for most other areas of ISP such as roads, water supply, health facilities and electricity. In electricity, for example, the Assemblies help in the provision of poles to towns and villages benefiting from the Self-Help Electrification Project (SHEP). Only this year (1999) did the Central Government propose to shift part of the responsibility for the road infrastructure to the Sub-National Governments. According to the 1999 Budget Statement, the Ministry of Roads and Transport will decentralise the management of road maintenance to Metropolitan, Municipal and District Assemblies to better address the needs of the people through the decentralisation programme. It remains to be seen how this will be implemented.

In addition to sector ministries, departments and agencies, several foreign donors and foreign and local NGOs also participate in the provision of infrastructure. They work with the District Assemblies to provide boreholes for water, school buildings and clinics. The most prominent ones are the churches, World Food Program, WVI, DANIDA, CIDA, GTZ, USAID, WHO and UNDP. The WVI, for instance, has provided more than fifty boreholes for communities in the Afram Plains and portions of Asante Akyem North District. Recently, the Ghana National Association of Teachers has also begun to provide furniture and other supplies to schools in rural areas.

## **5.2 Organisational Patterns of Infrastructure and Service Provision**

### **5.2.1 National Overview**

The providers of infrastructure and service in the field of education, health, water, electricity, sewerage, drainage and waste management are shown in Table 5.2.

Most of the physical structure in the educational sector - primary and secondary schools - were built in the 1960s. This was under the accelerated programme of the then socialist orientated Nkrumah government. The Central Government, Local Assemblies and the Churches built clinics and hospitals. The Roman Catholic and Presbyterian Churches played important roles in this process.

There was a breakdown in maintenance in the 1970s leading to complete neglect of infrastructure. This led to the deterioration in the drainage and road systems in the country. At the same time, school buildings and clinics were not properly maintained. New ones were not added. Expansion in existing schools, clinics and hospitals came to a standstill.

With the support of the World Bank and other International Financial Institutions, the deterioration in ISP has been stemmed. Loans, grants and credits tied to specific projects have helped to put up new buildings and other facilities. The decentralisation concept has assisted to channel resources to the district level. The introduction of the District Assemblies Common Fund has helped to build and maintain school buildings and clinics.

### **5.2.2 Overview of Main Infrastructure Services - Education**

The Central Government bears primary responsibility for the educational needs of the nation. This includes the provision of school buildings, workshops and libraries. The salaries of teachers and non-teaching staff are paid through the Central Government fund. Textbooks are provided through the Ministry of Education.

However, Government has not had the funds to meet all of its obligations. This has put pressure on the DAs to supplement the Government's efforts. Since 1994, with the introduction of the District Assemblies Common Fund (DACF), they have been able to do so and have been contributing to the maintenance of school buildings, workshops and libraries. Some Assemblies have assisted in the extension of electricity to dormitories and bungalows of secondary schools. Though the contributions of the assemblies are significant, they are quite negligible compared to the contribution of the Central Government.

### **5.2.3 Health Needs**

The Central Government, through the Ministry of Health, its departments and agencies, meets over 90% of the total formal health costs of the nation. The Annual Budget of the nation caters for hospitals, clinics, equipment, staffing and drugs. This includes the construction and rehabilitation of clinics and hospitals, for example, at Cape Coast. The

District Assemblies have been providing maintenance service, supplementary equipment and tools. There are also private clinics and hospitals owned by religious institutions.

**Table 5.2: Organisational Patterns of ISP**

	EDUCATION				HEALTH	COMMUNITY ACTIVITIES				ECONOMIC ACTIVITIES			
	Pre-School	Primary	Secondary			Health	Water Supply	Sewerage	Electricity Distribution	Solid Waste	Transport	Roads	Electricity Production
1. ACCRA													
Central													
Shared													
Sub-National													
Parastatals													
Joint													
Other													
2. CAPE COAST													
C													
S													
SN													
P													
J													
O													
3. SUHUMKRABOA COALTAR													
C													
S													
SN													
P													
J													
O													
4. ASANTE AKYEM NORTH													
C													
S													
SN													
J													
O													
5. TANO DISTRICT													
C													
S													
N													
P													
J													
O													



#### ***5.2.4 Water Supply and Sanitation***

The Ministry of Works and Housing has ministerial responsibility for the supply of water. Before November 1998, the Ghana Water and Sewerage Corporation (GWSC) was in charge of supplying water from dams to urban and rural settlements. However, in order to give serious attention to the water and sanitation needs of rural communities and small town residents, the Community Water and Sanitation Agency (CWSA) was been set up to ensure division of responsibility between the two agencies.

The development of public water supplies began in Ghana in 1928, with a pilot pipe-borne system managed by the hydraulic branch of the Public Works Department (PWD) in Cape Coast (formerly the national capital). At the time, the PWD was responsible for both urban and rural water supplies. However, in 1958, the Water Division of the PWD became an autonomous entity directly responsible to the Ministry of Works and Housing (MWH) for the purpose.

##### Ghana Water and Sewerage Corporation

Subsequently, in 1965, the Ghana Water and Sewerage Corporation (GWSC) was created, by an Act of Parliament (Act 310), as a legal public utility entity charged with the responsibility of providing and managing water supply and sewerage services for domestic and industrial purposes throughout the country.

The operations of the Corporation are supervised by the Ministry of Works and Housing and steered by a seven-member Board of Directors. A Managing Director and his three deputies manage its affairs. There are also nine Directors at the Head Office and ten Directors responsible for the regions. The Directors at the Head Office are responsible for planning and development, water quality assurance, operation and maintenance, finance, commercial operations, administration, corporate planning, internal audit and legal services.

The objects of the Corporation are:

- the provision, distribution and conservation of Water in Ghana for public, domestic and industrial purposes and
- the establishment, operation and control of sewerage systems.

It is the prime objective of the corporation to offer an acceptable level of service to its consumers.

##### Community Water and Sanitation Agency

In addition to the piped water system, the GWSC has been responsible for the management of some 6,500 drilled wells, fitted with hand pumps, that serve the rural communities. Under a newly created Community Water and Sanitation Division (CWSD), communities are to manage their own water supply systems, with the Division facilitating the development, monitoring and management of the systems.

The Community Water and Sanitation Division is responsible for managing and implementing the National Community Water and Sanitation Programme (NCWSP). A

strategic investment plan has been drawn up for accelerated rural water and sanitation development. It is estimated to cost \$220 million and aims at achieving 75% coverage by the year 2010.

In order to ensure efficiency in the supply of water in the rural communities and small towns, which were hitherto neglected, the National Community Water and Sanitation Division (CWSD) was created by an Act of Parliament, Act 564, 1998. The Ministry of Works and Housing supervises the activities of the Agency.

A nine-member Board of Directors governs the Agency. The day-to-day administration of the Agency is the responsibility of the Chief Executive, who oversees the direction and programmes of the Agency. By the promulgation of Act 564, the President, in accordance with the advice of the Board given in consultation with the Public Services Commission and upon such terms and condition as the appointing authority shall determine, appoints officers of the Agency.

#### Object and Functions of the Agency

The object of the Agency is to facilitate the provision of safe water and related sanitation services to rural communities and small towns.

The functions are to:

- provide technical assistance and specialist support to district Assemblies in the implementation of the NCWSP;
- promote the sustainability of safe water supply and related sanitation services in rural communities and small towns;
- encourage the active involvement of the communities, especially women, in the design, planning, construction and community management of projects related to safe water supply and related sanitation services;
- formulate strategies for the effective mobilisation of resources for the execution of safe water development and related sanitation programmes in rural communities and small towns;
- encourage private sector participation in the provision of safe water supply and related sanitation services in rural communities and small towns;
- provide technical assistance to District Assemblies in the planning and execution of water development and sanitation projects in the districts;
- assist and co-ordinate with non-governmental organisation (NGOs) engaged in the development of rural community and small town water supply the provision of sanitation facilities and hygiene education in the country;
- initiate and pursue, in collaboration with the Ministries of Local Government, Environment, Health and Education, formal and non-

formal education programmes for the creation of public awareness in rural communities and small towns of water related health hazards;

- prescribe standards and guidelines for safe water supply and provision of related sanitation services in rural communities and small towns and support the District Assemblies to ensure compliance by the suppliers of the services;
- charge reasonable fees for the services provided;
- collaborate with international agencies as the Agency considers necessary for the purposes of Act 564; and
- co-ordinate with the Ministry of Lands and Forestry, which has indirect and shared responsibility to ensure that water heads and slopes to rivers and streams are not stripped bare in order to have all-year-round water.

The Ministry of Health, through its Rural Health Scheme and Inspectorate Division, has been monitoring the sources of water-borne diseases. Their activities cover education, attention to poor sanitation, immunisation of children and actions to improve upon health needs. The District Health Management Team, under a District Director of Medical Services, ensures continued improvement in sanitation and the eradication of diseases like bilharzia and river blindness.

The Ministry of Environment, Science and Technology controls the:

- Environmental Protection Agency (EPA) and
- the Water Research Institute (WRI)

These agencies ensure the protection of the environment, proper management of water bodies and the control of pollution by industrial, mining and domestic agencies; for example, the Korle Lagoon and its catchment areas in Accra.

The capital and recurrent costs of the provision of water from dams are borne by the Central Government. The District Assemblies and NGOs pay for the capital expenditure on boreholes and hand-dug wells. In such project, the beneficiary communities are expected to deposit between ₵200,000 and ₵300,000 per borehole to meet recurrent expenditure like maintenance. The Ghana Water and Sewerage Corporation (GWSC) has been unable to meet the demand from new consumers due to the shortage of funds. It does not have funds to renew old and leaky pipes, let alone develop new ones. Funds available are just a third of what is needed for full capacity operation of GWSC. It costs between \$35 and \$50 per person to provide rural water (bore holes, etc.) and between \$250 and \$350 per person for urban water supply (pipe borne water)

For regular maintenance of the boreholes, residents of towns and villages are trained to repair minor damages. In the town of Pkyerekye in Asante Akyem North District, six people (including two women) have been trained for such purpose. They have matched up to the challenges. The system, therefore, is working well. Officials of GWSC and CWSA handle maintenance of the water system from dams.

In addition to the Central Government and the District Assemblies, non-governmental organisations (NGOs) like WVI and donors like DANIDA provide boreholes and wells for the rural and sub-urban communities. Some of the water bodies are polluted by the dumping of refuse. An example is River Densu, which is the source of drinking water to the western side of Accra.

As a result of the smallness of the dam sites and the poor maintenance of the catchment areas, places like Cape Coast, Asante Akyem North and Tamale experience annual water shortage between December and March each year. The residents, therefore, rely on streams and wells to meet their water needs.

The constraints on the water agencies include old machines, lack of maintenance and small size of water reservoirs.

### ***5.2.5 Sewerage and Drainage Systems***

In all the six sampled areas studied, the sewerage and drainage systems are poor. In some areas (Konongo, Tamale, Suhum, Bechem, Cape Coast and extensive parts of Accra), sewerage systems do not exist. The Central Government does not play any major role in the provision and maintenance of sewerage and drainage systems. The Water and Sewerage Corporation is the only parastatal that provides sewerage facilities. The burden, therefore, falls on the sub-national governments to provide the required services. They (the SNGs) are unable to cover even a quarter of the areas under their jurisdiction. There are unplanned communities, which are growing faster than the authorities and resources of the SNGs can cover, examples being Mallam, Kwashieman and Ablekuma in Western Accra. In such areas, the level and amount of sewerage services are far below the required limits.

The study has shown that the introductions of urban development projects in some of the sampled areas are reducing the dangers associated with the poor sewerage and drainage systems. Accra and Tamale have benefited from these projects. Accra's sewerage system network was laid in 1970. No major maintenance works have been carried out on the central sewerage system built in the 70s in spite of the Urban Redevelopment Project. The rapid expansion of Accra and concentration of population in the inner Accra area has put considerable pressure on the sewerage system. The discharge of offensive industrial waste by manufacturing firms in the scattered industrial areas of Accra and Tema has worsened the odour around such areas.

Compounding the problems of the agencies in charge of sewerage is the lack of training in the technology to maintain and unblock sewers, which are choked.

In all the areas covered under this study, the existing sewerage networks are too small to carry the load generated currently. Though the Urban I, II and III projects cover parts of Accra and Tamale, the rehabilitation work has had little or no effect in improving the sewerage system. The other four DAs are yet to be touched by the Urban Redevelopment Project.

### **5.2.6 Electricity**

All production and distribution of power supply is in the hands of Electricity Company of Ghana and Volta River Authority, which are parastatals. Their main sources of power are hydro and thermal. The Assemblies help in the provision of electricity poles to towns and villages benefiting from the Self-Help Electrification Projects (SHEPs).

#### Volta River Authority (VRA)

The Volta River Authority (VRA) was established under the Volta River Development Act, 1961, (Act 46). It is a body corporate comprising a Board, which is appointed by Government, and consists of a Chairman and seven other members (including the Chief Executive of the Authority, two representatives of the major consumers of the electrical power generated by the Authority, a person experienced in financial matters and two other persons).

The primary functions of the Authority include the generation of electric power, first by the development of the hydroelectric potential of the Volta River and then by the construction and operation of a transmission system for the supply of electrical energy for industrial, commercial and domestic use. The Authority is also responsible for the development of the Volta Lake as a source of fish, means of transportation and other suitable uses, as well as for the administration of the Akosombo Township. In fulfilment of these functions, the Authority has sponsored a number of ventures, either on its own behalf, such as the Kpong Farms Limited, or on behalf of Government, such as the Volta Lake Transport Company Limited (VLTC).

The Authority's first hydroelectric plant at Akosombo has six generating units. Four of the units, with a total installed capacity of 588 MW including a 15 per cent overload capacity, were completed in 1965. The additional two, with installed capacity of 324 MW including a 15 per cent overload capacity, were completed in 1972. The second hydroelectric plant at Kpong, completed in 1981, added 160MW to the installed capacity. A rehabilitated Diesel Generating Station at Tema, with an installed capacity of 30MW, was commissioned in 1992, raising the total capacity to 1,102MW.

In 1995, the VRA started constructing a new 330MW Combined Cycle Thermal Generating Plant, comprising two 110MW combustion turbines and one 110MW heat recovery steam generator at Aboadze, near Takoradi, in the Western Region of Ghana, where major mines, timber, cocoa and other natural resources are located. One of the combustion turbines was commissioned in December 1997; the other units are expected to be in operation by the end of 1998. The Thermal Plant has the capacity for eventual upgrading to 660MW.

The principal consumers of the Authority's electrical power are the Volta Aluminium Company Limited (VALCO), which operates an aluminium smelter at Tema, about 80 kilometres from Akosombo, and the Electricity Corporation of Ghana (ECG). The latter organisation, until 1987, was fully responsible for the distribution of power to domestic, commercial and industrial customers in Ghana other than those served by the VRA. Such customers included the mines, Akosombo Textiles Limited and the township of Akosombo and Kpong Estates. With effect from 1<sup>st</sup> January 1987, however, the VRA took over from the ECG the responsibility for the distribution of

power to all categories of consumers in the Brong Ahafo, Northern, Upper East and Upper West Regions of Ghana.

The Authority has been supplying electrical power, through the Communaute Electrique du Benin (CEB), to the neighbouring Republics of Togo and Benin since December 1972 under an international agreement signed in August 1969.

The Ghana la Côte d'Ivoire Electrical Networks were inter-connected in June 1983, and, in pursuance of the Protocol for the interconnection, the Authority has been exchanging electrical power with its Ivorian counterpart, Energie Electrique de la Côte d'Ivoire (EECI), since 27<sup>th</sup> February 1984.

In addition to the generation and supply of hydro-electricity, the Authority, in co-operation with other public agencies or at the request of Government, undertakes other projects relating especially to the environmental effects of the formation of the Volta Lake, research and development work appertaining to fisheries, the hydro-biology of the Lake, public health, shore-line agriculture and various aspects of resettlement.

#### Electricity Company of Ghana (ECG)

The Electricity Corporation of Ghana (ECG) was established by the National Liberation Council (NLC) Decree No. 125 of 20<sup>th</sup> February 1967, which was amended by PNDC Law 172 of 22<sup>nd</sup> April 1987 and PNDC Law 250 of 26<sup>th</sup> April 1991. By Executive Instrument NO. 59 dated 29<sup>th</sup> June 1967, all assets and liabilities of the former Electricity Department under the Ministry of Works and Housing were vested in the Corporation. The Corporation is required to conduct its affairs on a sound commercial basis.

As at 31<sup>st</sup> December 1996, ECG, by statute, was governed by an eleven-member Board of Directors. However, the Board for the year under review was inaugurated, with eight members under the continued Chairmanship of Mr. J. G. A. Renner. The Managing Director of the Corporation, Mr. J. K. Hagan, was also a member of the Board.

Primarily, the corporation is to generate, transmit, supply and distribute electricity within Ghana; purchase electrical energy in bulk from Volta River Authority (VRA) for distribution; construct, reconstruct, install, assemble, repair, maintain, operate or remove electrical generating stations, sub-transmission lines, transformer stations, electrical appliances, fittings and installations; and sell, hire or otherwise dispose of electrical appliance and fittings.

ECG continued to be one of the main executing agents of Government for rural electrification. In July 1987, ECG transferred to VRA, on an interim basis, the responsibility for power supply in Brong Ahafo, Northern, Upper East and Upper West Region. The transfer will be reviewed as part of the long-term re-organisation of the power sector after the completion of the national grid extension to these regions.

The Corporation purchased almost all of its power requirements from the Volta River Authority or distribution to the majority of its customers. However, it operated a diesel generating station for provision of electricity to the people of Kete Krachi in 1996.

ECG is organised into a Head Office and eight regions namely: Accra East, Accra West, Tema, Eastern, Central, Western, Ashanti and Volta. In Accra, the sub-transmission system has been detached, and it is managed as a separate division similar to an operational region. There are 52 districts offices scattered all over these regions.

In the Head Office, there are eight Directorates, whose heads together with the Managing Director form the top management that sees to the day-to-day administration of key functional areas. These are the Operations, Engineering, Administration, Finance, Internal Audit, Customer Services, Materials and Transport and Legal Directorates.

Under the Statutory Corporation (Conversion to Companies) 1993 (Act 461), ECG became a limited liability company, and it was registered to operate under the Companies Code 1963 (Act 179). The Electricity Company of Ghana succeeded the Electricity Corporation of Ghana, with effect from February 1997. The successor company has only two Directors, viz., Mr. J. K. Hagan and Mr. R. O. Larbi-Siaw.

### ***5.2.7 Solid Waste Disposal***

A sub-national government, by Act 462 Section 10(3e), shall be responsible for the development, improvement and management of human settlements and the environment in the District. By this legislation, the collection and disposal of solid waste is the responsibility of the SNGs. Problems linked with solid waste disposal in the sampled areas are many and varied.

Poor sanitary conditions are very prevalent. Rubbish dumps have piled up over many years. Examples abound in Accra, Konongo and Tamale. Such dumps are simultaneously being used as places of convenience and grazing grounds for cattle and sheep. It is therefore not surprising that cholera and diarrhoea outbreaks are common each year, claiming precious lives in their trail.

In Accra and Tamale, the levels of refuse collection from residential, commercial and industrial areas are far below the rate at which the garbage is generated. The authorities have privatised garbage collection in many suburbs in order to overcome the threat to life and property. This is discussed in more detail below.

However, in many areas, the private operators have not been paid, and there are accumulations of garbage in open spaces near places of convenience and sides of major streets and avenues. Korle-Bu to Mamprobi Road in Accra is a prime example.

For the unplanned and fast expanding suburban areas, the disposal of garbage is the responsibility of the households. Mini kilns have been set up to burn household garbage. Personal dugouts of open spaces are also used as dumping grounds for refuse. Commonly sighted in all sampled areas is the littering of plastic wastes.

In the rural areas, rubbish dumps are building up. There are no nationally agreed plans of disposal. The SNGs have no common approach to garbage control. However, with the coming into effect of the environmental policy, this anomaly will be corrected. Threat to human life and the environment by the reckless dumping of solid waste is a

reality.

Our meetings with SNGs have revealed that:

- The lack of working tools and equipment contributed to their inability to properly dispose of garbage.
- Few landfill sites have been identified to contain the waste.
- Not much serious attention has been paid to properly budget for the cost of removal and disposal of waste.
- Proper planning and execution of ISP, ahead of expanding new settlements and accompanying waste creation, has been lacking at all levels.
- The problem has been ignored over the past twenty years.

The lack of clearly focused management of solid waste in all the sampled Districts has had very bad effect on health, food and the environment. The prevalence of malaria, diarrhoea and cholera is evidence that a well thought-out and sustainable approach to the management of solid waste created by domestic activities, commercial transactions and manufacturing processes has been lacking.

#### ***5.2.8 Roads and Transport System***

Over 80% of roads are provided by the Central Government through the Ministry of Roads and Transport. Three agencies are the Highway Authority (trunk roads), the Urban Roads Department and the Department of Feeder Roads (rural roads).

However, paragraph 212 of the 1999 budget proposes shifting part of road infrastructure to the SNGs in order to “improve its responsiveness to the needs of the people through the decentralisation programme, the Ministry of Roads and Transport is decentralising the Management of roads maintenance activities to Metropolitan, Municipal and District Assemblies”. At the same time, the District Assemblies are involved in construction of feeder roads through the Common Fund (DACF).

Most of the roads and streets in all the towns in the sampled districts are in a poor state. The streets are filled with potholes. Erosion has made dangerous incursions into many roads in the towns. Notable among them are Suhum and Nankese in Suhum-Kraboa Coaltar, Konongo/Odumase and Agogo in Asante Akyem North, Bechem and Bomaa in Tano District, parts of Cape Coast and Tamale. Some of the streets are dangerous, in the sense that a resident walking on some of the streets can easily fall into manholes and sustain injuries. Significantly, most drivers avoid the bad roads and streets and use the few passable ones. The deterioration of roads is due to neglect, poor maintenance and award of contract to inexperienced contractors.

The Ghana Highway Authority is responsible for regravelling, upgrading and rehabilitation of the trunk roads linking the major commercial, industrial and political capital cities of the nation.

The Department of Urban Roads is responsible for similar work in urban areas. Our research revealed that the quality of previous work had been unsatisfactory, based on the experiences of the sample Districts.

The Department of Feeder roads has responsibility for maintenance, regravelling, re-surfacing and rehabilitation of feeder road, which connect all parts of the country. It is unfortunate that most of this work is rendered useless immediately it rains. The SNGs are supposed to monitor the contractors who work on the feeder roads, but the supervision has not been very effective.

It is the responsibility of the Ministry of Roads and Transport and its Regional Offices to ensure that value is received for all funds expended.

In addition to allocations from National Budget, substantial funds are provided by the Road Fund for routine maintenance. The Fund receives money from different levies, including strategic stock levy on fuel usage, tolls and others.

In 1997, ₵104 billion was the inflow into the Fund. An amount of ₵180 billion was generated in 1998, and the expected amount in 1999 is ₵218 billion (*Source: Daily Graphic of 4<sup>th</sup> January, 1999, page 32*).

Therefore, a reasonable amount of money is available to improve upon the road network in the country, including neglected town roads in the sampled Districts.

### **5.3 Indicators on the Comprehensiveness of ISP with Respect to Consumer Needs**

#### ***5.3.1 Conditions at the National Level***

The level of infrastructure and services provision (ISP) in Ghana ought to be considered within the framework of the accelerated development launched immediately after Independence in 1957. A manifestation of the planning for infrastructure and services provision is the early preparation of the Seven-Year Development Plan. That Plan set out Ghana's determination to have a firm foundation of ISP. The 7-Year plan covered the period 1963-70.

However, the frequent military interventions and political instability slowed down the provision of ISP. In addition, population growth put the existing ISP under pressure. The policy of Free Compulsory Education (FCUBE) stretched the facilities to the limit. For instance, the education infrastructure at primary, middle and secondary schools were fully over-stretched. Teacher training colleges admitted more students in order to produce more teachers. There were no corresponding provisions of new physical structures. The shift system was resorted to at all level except the tertiary levels. The panacea for these anomalies was sought within the framework of the Economic Recovery Programme (ERP).

The Economic Recovery Programme (ERP) was launched in 1983. The World Bank, IMF and other international financial institutions have supported the country since then. Loans, grants and credits have been received from the IFIs. As a result, there has been new ISP like school buildings, clinics, electricity extension and water provision.

Equally in progress is the rehabilitation of roads and sewerage systems.

However, it is worth noting that by the late 1990s almost all infrastructure needed repair, replacement or expansion. An all weather road network is needed to reduce the ever-increasing motor accidents. The road from Koforidua to Suhum needs to be widened, as the current width is very narrow. The roads linking Konongo to Praso in Asante Akim North District need tarring.

The inadequate ISP was factored into the annual planning schemes of core ministries like Finance, Works and Housing, Roads and Transport, Education, Health and Energy. With the execution of projects captured under each annual budget, some level of ISP has been built and existing ones maintained.

Major constraints that have led to Ghana's inability to obtain optimum ISP include:

- political instability due to frequent coups d'états;
- uncoordinated policies, which made administration of the nation difficult;
- centralisation of political, economic and social functions in the national capital;
- low level of tax revenue collection due to concealed sources of income;
- lack of interest to expand the frontiers of collecting non-tax revenues and accounting for them;
- delayed re-tooling of existing equipment for water and electricity production sectors; and
- neglect of public assets at national and local levels, with no attention to maintenance culture;

As expected, the net effect was the total breakdown of the ISP network until the launching of the Economic Recovery Programme (ERP) in 1983. The interplay of the above factors and others had led ISP to lag behind need.

The low institutional capacity, inability to apply new research results and inadequate ISP funding at the District Assembly level have caused a loss of public confidence in the Assemblies' abilities to promptly provide quality infrastructure and services. This study has unearthed the extensive low level of service delivery to the expanding number of residents.

### ***5.3.2 Overview of Sample Sub-National Governments***

In considering the following information, it should not be forgotten that SNGs are not primarily responsible for the majority of ISP.

Through this study, it is apparent that there has not been any substantial improvement in the delivery of services to the residents of the catchment areas of the sampled sub-national governments.

It is difficult to give a comprehensive comparative analysis of the achievement over time for the individual Sub-National Governments due to paucity of data. Nevertheless, it is worth noting that the general observation and trends revealed that the provision of quality services to the consumers is on the ascendancy. Indeed, the expansion in electricity production and the vigorous embarkation of the government and sub-governments on rural electrification need commending. Following the further devolution of the Ghana Water and Sewerage Corporation and the creation of the Community Water Agency many new wells and boreholes have been developed in the rural communities. The influx of NGOs in this direction is also worth mentioning.

**Performance Indicators concerning ISP**  
*(Inter-Municipality Comparison)*

<b>District</b>	<b>Population*</b>	<b>Area /5m<sup>2</sup></b>	<b>Type</b>	<b>Setting</b>
Accra	1,600,221	300	Metropolitan	Urban
Cape Coast	109,937	122	Municipal	Urban
Suhum-Krabo Coaltar	145,639	940	District	Rural
Asante Akyem North	123,179	1,260	District	Rural
Tano	140,977	1,220	District	Rural
West Dagomba	233,372	750	Municipal	Urban

Source: The Administrator of District Assemblies Common Fund. Formula for Sharing the 1999 Fund. pages 10-12.

\*in 1997

**Table 5.2: Performance Indicators Concerning ISP**

COMPONENT	DEMAND	PRODUCTION	INDICATORS OF NEED SATISFACTION
<b>1</b>	<b>ACCRA POPULATION: 1,600,221</b>		
Water Supply	600,000m <sup>3</sup> /day	280,000 m <sup>3</sup> /day	6
Solid Waste Mgt	1000tonnes/day	800tonnes/day	8
Education Facilities	136 Class Rooms	133 Class Rooms	9
Electricity			
<b>2</b>	<b>CAPE COAST POPULATION 109,937</b>		
Water Supply	16049 m <sup>3</sup> /day	17902m <sup>3</sup> /day	6
Solid Waste Mgt.	55 tonnes /day	16.5 tonnes /day	3
Education Facilities	114 class rooms	113 class rooms	9
Electricity	N/A	N/A	0
<b>3</b>	<b>SUHUM (KRABOA-COALTAR) POPULATION 145,639</b>		
Water Supply	1899 m <sup>3</sup> /day	159 m <sup>3</sup> /day	2
Solid Waste Mgt	73 tonnes /day	34.6 tonnes /day	2
Education Facilities	102 class rooms	101 class rooms	9
Electricity	N/A	N/A	0
<b>4</b>	<b>ASANTE AKYEM NORTH POPULATION 123,179</b>		
Water Supply	120,000 m <sup>3</sup> /day	N/A	0
Solid Waste Mgmt	61.6 tonnes /day	12.2 tonnes /day	2
Education Facilities	101 class rooms	100 class rooms	9
Electricity work	N/A	N/A	0
<b>5</b>	<b>TANO DISTRICT POPULATION 140,977</b>		
Water Supply	N/A	N/A	0
Solid Waste Mgt.	70.5 tonnes /day	8.18 tonnes /day	2
Education Facilities	88 class rooms	88 class rooms	10
Electricity	N/A	N/A	0
<b>6</b>	<b>TAMALE MUNICIPAL ASSEMBLY POPULATION 233,372</b>		
Water Supply	26067m <sup>3</sup> /day	12300 m <sup>3</sup> /day	4
Solid Waste Mgt	116.7 tonnes /day	13.6 tonnes /day	2
Education Facilities	129 class rooms	127 class rooms	8
Electricity	N/A	N/A	0

Note: the scale of 2-10 has been used. The best quality service being 10 and the poorest service being 2; thus 10= excellent 8=very good 6=good 4=fair 2=poor 0=no basis for judgement N/A= not available. Performance indicators are based on interviews with sample SNGs and newspaper reports.

The last survey on waste generation was conducted in 1993. However, according to the Environmental Protection Agency (EPA) the average daily generation of waste per person in Ghana is 0.50kg. With this average, we simply find the product of the average and the population size of the sample area i.e. (0.50kg x population size of the sample area). For Accra, Cape Coast and Tamale, we were able to determine waste and approximate collection easily. We used the approximation of the respective regional capitals for Suhum, Asante Akim North and Tano. Indeed, the average collection might be more serious in these areas since, as has always been the case in Ghana, the regional capitals are more well endowed with both material and human resources than the

districts. In that regard, the regional capitals are able to deal with problems more effectively than the districts.

Concerning education facilities, the criterion used was the pupil classroom ration (PCR). The established ratio is 30:1. With this ratio, there appeared to be very good educational facilities, but a further analysis of the situation under 5.3.2.5 (Education Facilities) might reveal average or fair facilities.

#### *5.3.2.1 Water Supply*

Almost all the various sub-national governments face the same problem in their attempts to provide adequate water supply. Discussions with some officials revealed that pipelines that were laid in 1931 and were due for change since 1983 are still being used to supply the city of Accra with water.

A water situation analysis for each sub-national government is given below:

##### Accra

As a city, Accra needs 600,000,000 litres of water on a daily basis, but only half the amount is supplied. This does not necessarily mean half of the population in the city has water. Rather, there is an attempt to ration water to every household. The irony of the situation is that while some parts of the city enjoy water throughout the seven days in the week, others do not have water running through their pipes. They buy from private water tanker operators. Unlike electricity supply, where rationing can easily be done, the complex nature of laid pipes makes this problematic in Accra. Places like Ashongman, Adenta and parts of Dansoman Teshie Nungua endure shortages for months.

As mentioned earlier the total volume of actual daily water supply is about 300,000,000 litres of treated water that meets international standard. However, 30% of this treated water is wasted through leakage. Many pipes in the city were laid as far back as the 1930s. Even though a recommendation had been made for the changing of these pipes since 1981, not much had been done by 1999.

Some of the water produced goes to gardening and fire fighting activities. Water for major farming activities come under the irrigation development project, the offices and operations of which are different from GWSC.

### Accra: Annual Investment in Water Supply (GWSC)

ACCRA	1991	1992	1993	1994	1995	1996	1997
	¢	¢	¢	¢	¢	¢	¢
Investments	6.5bn	6.6bn	6.3bn	10.7bn	21.9bn	13.2bn	23.5bn
Cedi to US\$ Exchange Rate	390	520.1	822.22	1050.93	1446.14	1740.37	2250.41

These are investments in structure and improvement (Dams, etc), Machinery and Equipment and Transportation. See appendix for details.

#### Cape Coast

The installed capacity (m<sup>3</sup>/day) for Cape Coast is 29,200. However, as of 1996, the production was 17,902 m<sup>3</sup>/day, just about the projected water demand.

Available information has revealed that most of the year the residents in Cape Coast enjoy pipe-borne water. Rural supplies form 1% of the drinking water system in the municipal area. However, during the dry season, they go without water. This is due to the drying up of their river supply.

#### Suhum (Kraboa-Coaltar)

While about 50% of the population in this district enjoy pipe-borne water, between 35% and 40% get their source of drinking water from wells and boreholes. The wells and boreholes were provided by Japanese International Co-operation Agency (JICA). It is worth mentioning that although the water demand exceeds 1899 m<sup>3</sup>/day, the installed capacity is 600 m<sup>3</sup>/day and the actual production is about 519 m<sup>3</sup>/day.

#### Asante Akyem North

The water supply system has an installed capacity of 4500m<sup>2</sup>/day. Unfortunately, even though the demand is well over 4467m<sup>3</sup>/day, a little over 513m<sup>3</sup>/day is supplied.

Available information indicates that the water supply is inadequate. Due to this inadequacy, several communities are not supplied with water. The GWSC must build bank-side storage to store excess water, which can be pumped for treatment during the dry season, in the raining season,. This fact is equally shared by the management of GWSC. (source: correspondence of GWSC ref. Md. 138/v2).

#### Tano District

Water is largely supplied from boreholes, wells and streams. The demand for water here is over 2238m<sup>2</sup>/day, but just a little over 508 is supplied.

#### Tamale

Although the water supply needed by the municipality stands at 2606m<sup>3</sup>/day, the Ghana Water and Sewerage Corporation can only supply 12300 m<sup>3</sup>/day. The shortfall in pipe-borne water supply is catered for by wells and boreholes dug and sunk by NGOs like Action Aid and others.

### 5.3.2.2 *Solid Waste Management*

#### Accra

The average solid waste (refuse) generated in the city is about 1000 tonnes daily. Out of the amount generated, 10% goes to the making of compost or manure, while 70% is disposed of in landfills. The remaining 20% are uncollected and thus pollute the environment. The total coverage for solid waste management is 80%.

Besides the 1,000 tonnes of solid waste generated, emptying septic tanks also generates 350 tonnes of liquid waste. This liquid waste is treated at the three sewerage treatment plants owned by the assembly and located at Teshie, Korle Gonno and Achimota. These plants treat about 80% of the liquid waste through oxidation, before it enters the sea. The remaining 20% enters the sea in its raw state. No recycling is done due to the lack of relevant equipment. Equally, no renewed resource or energies are generated.

The inventory of equipment available to the Assembly at the time of the research was as follows:

- fifteen (15) multi-lift (refuse collection trucks);
- nine (9) cesspit emptiers (Liquid Waste trucks); and
- one (1) bulldozer and 1 compactor dozer.

The ideal situation is for the Metropolitan Assembly to own at least seventy-eight (78) multi-lift (refuse collection) trucks. Thus, more equipment is needed to enhance refuse collection.

The AMA handles the management of solid waste disposal, in partnership with private companies. AMA contracts the services of these contractors through tender bidding. The company that wins carts refuse or sweep the city for a fee. Sixty (60) percent of the waste disposal is done by AMA, while about forty (40%) is done by these contractors.

There are 213 places of convenience (public toilets) located within six sub-metropolitan assemblies. These are also given out to private contractors to manage and render monthly accounts to the sub-metropolitan assemblies.

Street sweeping in Accra is under the control of the AMA Health Unit. Even though sweeping of the streets is part of sanitation, it is now sponsored by the Department of Urban Roads, as part of its routine maintenance programme.

On the other hand, AMA also has contracted the service of some private companies for the job. Under the circumstance, sanitation is through a partnership between the Central Government and Sub-National Government.

### Total Amount Spent on Sanitation in Accra from 1991

ACCRA	1990	1991	1992	1993	1994	1995	1996
	¢	¢	¢	¢	¢	¢	¢
Investments	18507984	479,278,888	520,445,774	130,245,837	783,999,999	1,278,202,833	3,232,024,588
Dollar Equivalent		\$122,8920.24	\$1,000,664.82	\$158,407.5	\$746,006	\$883,896.57	\$1,857,090

#### Cape Coast

Management of Waste in the municipality is done mostly by residents. There are three community refuse dumps where the inhabitants dispose of their refuse. The refuse is then burnt from time to time. Some of the sites have incinerators, while others do not. The average daily solid waste generated is 55 tonnes. Of this volume, 16.51 tonnes are collected. That is, just about 30% is collected, with the remaining 70% uncollected.

#### Suhum

The DA does not operate any solid waste collection system. Disposal and management of refuse, therefore, poses a problem. Most residents use the community refuse dump to dispose of their solid waste. Most of these dumps are dugout pits. The average daily waste generation is about 73 tonnes.

#### Asante Akyem North

Waste disposal in the district is in a sorry state. Although the Assembly has provided dumping grounds or sites for the citizens to dump refuse, the District Assembly has failed to cart the refuse. Heaps have accumulated for more than twenty (20) years and constitute a threat to human life and property. The average daily waste generated is 61.6 tonnes.

The agency responsible for the disposal of this mountain of refuse is the District Public Works Department (PWD). The Local Government, realising the dangers associated with such filth, has voted eighty million (ø80m) cedis to aid in the disposal of the refuse dump in 1999.

Unfortunately, the assembly does not have the tipper trucks to help cart the refuse. The most affected towns are Konongo, Odumase, Agogo, Patriensa, Hwidiem and Domeabra.

**Tano District and Tamale Municipal Assembly** share the same problems with Asante Akyem North. The problem is even acute in the Tamale municipal assembly. In Tano, the average daily waste generation is 70.5 tonnes, while in Tamale, it is 116.7. Out of these, an average of only 11.6% is collected. That is 8.18 and 13.6 tonnes, respectively, for Tano and Tamale.

#### *5.3.2.3 Roads and Transport*

The major problem that bedevils all the Assemblies is inadequacy of resources in the form of material, cash and manpower to help accomplish repairs and maintenance.

### Accra

The total length of the road network in the city stands at about 1,117.90km at the time of the study. These roads have been categorised into Major Arterial, Minor Arterial, Collector and Local. Out of the total of 151.06km of the Major Arterial roads, 119.89km can be described as good, 27.60km as fair and 3.57km as poor.

The total length of the Minor Arterial roads is 74.84km. Out of this total, 60.78km can be described as good, while 11.24km as fair and 2.82km as poor.

The Collector category has a length total of 238.12km. Of this, 113.84km can be described as good, 38.12km as fair and 86.16km as being poor.

The total road length of the Local category stands at 653.88km. Of this, 230.84km is good, 199.83 as fair and 223.21 as poor.

Between 1988 and 1998, various road construction works have been carried out in the city. These have been categorised into Road Improvement Works in Accra, Design and Construction of Kanda Overpass and Accra Roads Rehabilitation. The total cedi equivalent for Road Improvement Works in Accra is ₵23,067,704,792. The cost of the design and construction of Kanda Overpass was ₵19,037,315,453.02.

The Accra Roads Rehabilitation, of which 92% of the project is completed, has a total cedi equivalent component of ₵104,596,815,299.69. All these monies are channelled through the Department of Urban Roads under the Ministry of Transport. After the construction of the roads, they are handed over to the Accra Metropolitan Authority for maintenance.

### Asante Akyem North

The total length of road network in this district stands at three hundred 300km. Only 30km of this is considered to be all-weather. That the road system demands immediate attention needs no emphasis. The worst affected towns are Odumase, Konongo, Patriensa, Nyaboe, Juansa and Agogo. Heavy rains are equally eroding the only 30km all-weather road. Plans are underway towards solving this problem.

### Tano District

Most of the roads in this District are in poor conditions. Out of the about 350km road network, only a little over 20km is tarred. Even this is just the trunk road that Kumasi to Sunyani via Bechem and Duayaw Nkanta. All the others are feeder roads. There is very little information about plans of tarring the roads.

#### *5.3.2.4 Sewerage and Sanitation*

### Accra

As mentioned earlier, the GWSC sewerage layout was completed in 1972. It did not become operational until 1973. It is worth mentioning that there is no sewerage treatment plant presently in the country. Indeed, GWSC has connected its sewerage ducts to a 24inch pipe that is a colonial legacy. This 24inch pipe was what the British used to pump crude oil. However, it is now being used by the GWSC. The corporation pumps its sewerage, in its raw state, two and a half miles into the sea. In order to treat

its sewerage, a treatment plant is being constructed by Taysec at Korle Bu. This project is scheduled for completion in the year 2000. The only sewerage plants working are the three owned by the Metropolitan Assembly. These are able to treat 80% of liquid waste before it enters the sea.

Even though the above discussion seems to give a sorry picture of sewage disposal in the city, it is worth mentioning that most houses have septic tanks or wells that use a soakaway technique that takes quite a long time before the tanks get full. To forestall any problem, there is an urgent need for the repair of the non-operational 18 sewage treatment systems.

#### Cape Coast

The main sewerage and sanitation available to the public in the municipalities are 39 septic tanks/Aqua Privies, 35 public water closet toilets and two using the Kumasi Ventilated Improved Pit (KVIP) system.

The study indicates that the same situation prevails in Suhum, Asante Akyem North, Tano District and Dagomba District.

#### *5.3.2.5 Electricity Distribution - Accra*

The Electricity Company of Ghana has the sole distribution of electricity in Accra. Private participation is in the form of contracts for cable laying, software programming and the billing system. This is done through the services of energy consultants.

The table below shows increasing electricity consumption in Accra over a ten-year period.

<b>Year</b>	<b>Total Watts</b>
1988	4,807,877
1989	5,230,598
1990	5,720,863
1991	6,108,668
1992	6,602,366
1993	6,313,115
1994	6,104,843
1995	6,133,432
1996	6,626,859
1997	6,885,529

Most households in Accra have an electrical connection. A connection to a newly developed area is supposed take a maximum of seven days after the payment of the connection.

#### *5.3.2.6 Educational Facilities*

Provision of educational facilities, from pre-school through to the University, is done by Government, Sub-National Governments and private hands. However, the legal framework is designed by the Government through the Ministry of Education (MOE).

### Accra

There are nine pre-schools provided by the Central Government, 41 by the churches, 11 by the police and armed forces and many others by private individuals. There are 6931 pupils and 347 teachers in the 61 pre-schools under the Accra Metropolitan Education Office (which is operated by the Ghana Education Service). The pupil-to-teacher ratio is 20.1

There are 307 Primary Schools under same authority, within which there are 109,643 pupils and 2612 teachers; that represents a ratio of about 42 pupils to a teacher.

Of the 379 Junior Secondary Schools, 185 are Central Government- or Sub-National Government-owned. The remaining 194 are owned by churches and individuals. The 379 JSS schools have 67,093 pupils and 2535 teachers. The ratio is 26.5:1.

There are 65 Senior Secondary Schools. Of this number, 11 are provided by the Government, with the churches and individuals providing for the remaining 54.

Due to the pressure on educational facilities, a shift system has been introduced. The first group of students attends classes between 7.15 to 11.30am. The next class starts at 12.00am and close at 4.15pm. In both cases, about 40 hours are put in the by pupils. The schools that are not running the shift system start at 8.00am and close at 1.30pm, spending about an hour more than those in the shift system.

Adequate data on private schools are not available. In spite of the high fees, many people still send their wards to the private schools for better education and learning. Private school teachers are better paid than the Ghana Education Service (GES) staff. The private schools start at 7.30am and close at about 3.00pm. Thus, their students put in three (3) more hours than their counterparts in the public schools.

Schools in Accra seem to enjoy better facilities than in the other SNGs. This is understandable, considering the fact that Accra happens to be the regional capital of the Country. At the level of pre-schools, 81.9% of the classrooms are in good conditions, 13.5% needed minor repair and 4.5% needed major repair. At the primary level, 82.7% of the classrooms were in good condition, 15.1% needed minor repair and 2.2% required major repairs. Only three of the schools (all private schools) had no drinking water, two had no electricity and two were without roads. The average pupil-to-teacher ratio is 34.1, but, ideally, it ought to be 30.1. Under the circumstance, one can consider schools in Accra to be enjoying better facilities. However, we were unable to determine the textbook need of students.

With regard to teachers, 66.6% were trained and certified, 3.6% were trained but not certified and 29.8% were not trained. On average, 70.2% of teachers were trained, and 29.8% were untrained. Overall, educational facilities in Accra are above average.

### Cape Coast

31 pre-schools are owned by the Central Government. There are 85 Primary Schools, of which the Central Government owns 70 and private individuals hold 15.

The total number of JSS in the municipality is 45. Five belong to private individuals

and 40 to the government. There are 10 Senior Secondary Schools, one Technical School and one Special School for the deaf. Eight of the Senior Secondary Schools, the Technical School and the Special School for the deaf are government-run, while two Senior Secondary schools are privately operated.

Of the classrooms at the pre-school level, 55.9% are in good condition, 32.4% need minor repair and 11.8% need major repairs. At the primary level, 48.9% of classrooms are in good conditions, 13.8% need minor repair and 37.3% require major repair. The J.J.S schools are 92.3% in good condition and 7.7% in need of minor repairs. Approximately 2% had no drinking water, electricity or roads. The percentage of teachers trained and certified was 13%, 2.9% were trained but uncertified and 24.1% untrained. The total percentage of trained teacher is 75.9%. This is higher than the average. The average pupil-to-teacher ratio (PTR) is 27.1.

#### Suhum (Kraboa Coaltar)

The District boasts 50 pre-schools. Of this number, 43 belong to the government, while seven belong to private individuals. Out of the 131 primary schools, the government owns 123, while private hands cater for the seven.

At the JSS level, the government owns 75, and there are no private schools. There are three SSS, one Vocational School and one privately-owned Commercial School.

#### Asante Akyem North

There are 79 pre-schools in the District. They comprise 94 primary schools, 44 JSS and four SSS. There is one nurses' training college and one teacher training college for a population of over 123,179. Of the pre-schools, 33.3% are in good condition, 33.3% need minor repairs and 37.0% require major repairs.

Classrooms at the primary level have 35.3% in good condition, 23.3% requiring minor repairs and 41.4% needing major repairs. At the J.S.S level, 66.7% of classrooms are in good condition, 33.3% require minor repairs and 0.0% need major repairs. Though all the schools have access to drinking water, they do not all have electricity. This is of serious concern since experiments might be difficult to conduct under such circumstances, especially at the J.S.S. level. The percentage of teachers that are trained and certified are 68.5%, trained but uncertified 2.5 and untrained 28.9%. Overall, 71% of teachers are trained.

#### Tano District

The figures for this district revealed 69 pre-schools, 107 Primary Schools, 55 JSS and six-SSS. This district has 19.3% pre-schools in good condition 20.5% requiring minor repairs and 60.2% needing major repairs. At the primary school level, 40.7% are in good condition, 38% need minor repairs and 20.4% major repairs.

The percentage of Junior Secondary classrooms in good conditions is 27.9%, 33.8 need minor repairs and 38.3% need major repairs. Over 85% of these do not have drinking water and electricity even though almost all have roads. The percentage of trained and certified teachers stands at 77.8%; 3.3% are trained but uncertified and 19% are untrained.

If one's environment affects one's ability to learn, then the poor classrooms need immediate repairs. Water and electricity, if possible, also ought to be provided. The lack of drinking water and electricity affects the productivity of both teachers and pupils. This may lead to a loss of studying time.

#### Tamale

Tamale can boast of 117 government-sponsored and 13 private pre-schools as well as 156 government-owned and three private primary schools. All the 47 JSS are run by the government. The municipality pre-schools have 54.3% of their classrooms in good conditions, 26.1% need minor repairs and 19.6% major repairs. At the primary level, 51.4% are in good condition, 48.6% need minor repairs and 51.9% demand major repairs.

While 70% of the public schools do not have drinking water and electricity, most of the private schools enjoy such facilities. Average PTA is 31.1. The percentage of trained and certified teachers stands at 73.6% (1433), trained but not certified 4.9% (96) and untrained 21.5% (418). This is above average. With these figures, we can conclude that pupils enjoy reasonable access to educational facilities.

#### *5.3.2.7 Health*

##### Accra

Considering Accra's population to be 600,221, the population-to-hospital ratio is about 46252:1. On the other hand, the total population to institutional ratio is 7116:1. Analysis of figures gives an obvious picture of a health delivery system in the city that is under extreme pressure.

##### Cape-Coast

Cape Coast's population is 109,937, and it has 9 clinics and hospitals. The institutional ratio is 12215.2:1, while the population-to-hospital ratio is 36645.7:1. Under the circumstances, the health institutions are constantly under pressure, which puts considerable stress on the doctors and a further wear and tear of hospital equipment. It is worth noting that cases referred from the surrounding districts and towns all end up in the Cape Coast hospitals. In other words, it serves more people than the above statistics suggest.

##### Suhum

The population of Suhum is over 145,639, with total hospital and clinics of about 10. This gives populations /institutional ratio of to be 14563.9:1. This undoubtedly puts a lot of pressure on health facilities in the district.

##### Tano

This district has a population of over 140,977. The total number of beds in the 8 hospitals and clinics is 246. The total monthly utilisation of these beds stands at 564.1.

##### Tamale

Tamale has 6 government clinics and hospitals. As the population is over 233,372, the institutional ratio is 38895.3:1. This is an ominous consequence, so far as health delivery is concerned. This puts pressure of health facilities, which leads to frequent

breakdowns in equipment.

## **5.4 The Issue of Affordability of Infrastructure and Services**

### **5.4.1 Introduction**

The issue of affordability for infrastructure and services is to be considered within the context of the income levels and the needs and wants of the people resident in the sampled SNGs. The ability to meet the infrastructure needs of the population at the time of need is an issue of great importance. Necessity is the mother of invention. Some of the residents of the SNGs studied have deliberately forgone the benefits of some services because their earnings cannot cater for those needs. People refuse to be connected to electricity because they cannot pay the monthly bills. Others prefer using water from the streams because they cannot pay.

Many people claim that they cannot afford current fees and charges for infrastructure and social services. The declining purchasing power of the average citizen is reflected in the huge unsettled bills of Ghana Water and Sewerage Corporation. As at the end of December 1998, consumers owed GWSC ₵30.6bn. Of this amount, ₵18.6bn (about 60%) was owed by Ministries, Departments, Government Agencies and Parastatal Organisations.

The interplay of a declining income in real terms and increases in the prices of ISP has influenced the consumption trend of many households. ISP that households put preference on is a function of societal norms, habits and what the pocket can afford. A review of the results of the Ghana Living Standards Survey report for the period September 1991 to September 1992, published by Ghana Statistical Service in March 1995, gives a firm basis on how households allocate their income to various infrastructure and public services.

Households are limited by both the actual and potential size of their earnings. Therefore, any increase in the prices of food, clothing and rent reduces disposable income available for electricity, pipe-borne water, garbage disposal and others. The following tables give examples of costs, and they compare the annual household income and expenditure.

**Table 5.4 1: Examples of fees and charges**

<i>(Fees/Charges (¢) User Payment/Month Earnings/Payment</i>	<b>Expenditure</b>
	<b>Charges (¢)</b>
1. Education B school fees	
a. Primary	12,500.00
b. Secondary	25,000.00
2. Health - Hospital Fees	8,000.00
Community Amenities	
Water supply	4,000.00
a. Sewerage	1,000.00
b. Sanitation	1,000.00
c. Electricity	10,000.00
3. Economic Services	
fares	12,000.00

**Table 5.4A: Household Expenditure**

	<b>Mean Annual Household Expenditure</b> ¢
<b><u>Quintile Group</u></b>	
Lowest	443,000
Second	618,000
Third	755,000
Fourth	866,000
Highest	1,058,000
All	748,000

(Sources: (1) Mean Annual household Expenditure Table 7.1 page 55 of Ghana Living Standards Survey Report Sept 1991 to Sept 1992 by Ghana Statistical Service)

**Table 5.4.3 Mean Annual Household Cash Expenditure**

<b>Expenditure Group</b>	<b>Amount</b>	<b>Percentage Dis-tribution</b>
		%
1. Food and Beverages	276,511	50.6
2. Alcohol and Tobacco		
3. Clothing and Footwear	18,948	3.5
4. Housing and Utilities	51,107	9.3
5. Household goods, operations and services	48,652	8.9
6. Medical Care and health expenses	38,924	7.1
7. Transport and Communications	22,691	4.1
8. Recreation and Education	34,501	6.3
9. Miscellaneous goods and services	25,057	4.8
10. All groups	29,397	5.4
	546,788	100.00

Source: Mean Annual Household Cash Expenditure Table A9.27, p 169 of GLSS 91/92

Most households and individuals have to borrow. Others live under constant self-denial because their inflows do not match the desired outflows. Though borrowing is done everywhere, the advanced countries (like the USA, UK, and even South Africa) have comparatively higher income levels and well-developed credit card systems that minimise these effects.

Where the money goes is exhibited in Table 5.4.3. The percentage distribution shows 50.6% devoted to food, 9.3% allocated to clothing and 8.9% slated for housing and utilities. On the scale of preference, medical care and health expenses are 8<sup>th</sup> out of the nine items. Little is spent on health needs. It is said that with the policy of *cash and carry*, people who are already in difficulty do not attend hospitals and clinics at all. They cannot afford them. It is even said that people prefer dying in their homes than to visit the hospital. Though the cash and carry system initially started with drugs, it now covers consumables, even to the extent that one has to pay for dressing of wounds as well as the bandage.

Interestingly, education, at 4.8% of expenditure, is the 7<sup>th</sup> item on a scale of nine items. This is a reflection of the low incomes of people, who, under normal circumstances, would prefer educating their children and themselves to the highest level.

The non-availability of data for 93/94, 95/96 and 97/98 has made the establishment of a trend a difficult exercise

#### **5.4.2 Affordability and Options**

A close study of the water needs of the residents in the sampled SNGs indicated that there are varied sources of water, though with different levels of quality. Therefore, where the low-income group cannot pay the monthly bill from GWSC, they opt for other sources. The communal tap is less expensive than the privately owned taps. Often those in the rural areas resort to fetching water from streams and wells, since it costs

nothing. However, the attendant danger of contracting water borne diseases, like bilharzia, Guinea Worm, etc., makes it terribly expensive in the long run.

Listed below are the various sources of water that may be affordable to different consumers:

- rain water collected into metal containers or purpose-built underground tanks;
- streams and rivers, which dry up during the dry season;
- dammed rivers from which treated water is pumped as pipe-borne water - these may be single user or communal ones;
- wells that are open to anybody and free of charge;
- boreholes with fitted pumps sold at a relatively low price of ¢50 per bucket;
- hand-dug wells, normally constructed by communal labour and it cost none of the residents to fetch from such hand dug wells; and
- water supplied by tankers - these are private operators who offer supply at a cost of about ¢200.00 per bucket.

#### ***5.4.3 Factors Influencing Ability to Pay***

Income levels affect the decision to pay or not. Depending on the preferences for other compelling needs, the study by Ghana Statistical Service on Living Standards Survey has shown payments for housing and utilities, including water, are rated third on a scale of nine items.

People are prepared to pay water bills if the supply is regular and of good quality. However, in a situation where supply of water is cut off without any explanation, payment of bills is met with reluctance.

Sometimes, there is crisis of confidence in the meter reading, and people resist payment. Late submission of bills to consumers also causes large bills, which leads to an inability to pay.

### **5.5 Infrastructure Inventory Concerning Central and Sub-National Government**

#### ***5.5.1 Overview***

Fixed Asset Registers are not well kept by the District Assemblies sampled. After budgetary allocation and execution of projects, no cost records are kept. It is very difficult to obtain Asset Inventory Record, which captures cost of ISP over the relevant years. There are pre-execution inventories of ISP by the Central Government in budget statements and estimates of Ministries, Departments and Agencies (MDAs) that cover the sampled Districts. However, execution cuts across MDAs, making it very difficult to locate the actual cost at one source.

The above position is supported by the Notes to the financial statements of the Public Accounts of Ghana for the Year Ended December 31, 1998 (page 31).

### Development Expenditure

Expenditure on constructional works, plant and equipment and other capital expenditure is classified as development. Expenditure is written off in the year of actual outlay.

Fixed Assets registers, however, are expected to be maintained by Heads of Departments and Agencies to ensure effectiveness, efficiency and economy in the use of the assts.

However, the ISP provided by the Assemblies through the District Assemblies Common Fund (DACF) can be traced by using the Supplementary Budget to the project sites. The costs of donor-supported projects are not fully stated in the records of the sampled Districts. For example, the World Vision International (WVI) has provided boreholes with pumps in some of the sampled Districts, but the Assemblies do not state the full costs as nominal amounts. A borehole may cost ¢20m to the WVI, but the Assemblies may state only (¢1m) one million cedis as the contribution made by the communities and SNG.

Indeed, the donors have their own administrative support systems, recording the cost of ISP provided by them, the full cost of which is not easily known by the communities involved. As a result, there is a balance of capital investments by the Central/Sub-national Governments, on one hand, and donors, on the other, in respect of ISP projects. The Central Government/Sub-National Government projects are inseparable because all the projects by SNG are funded through the DACF, which is a transfer from the Central Government. With regard to donor/Central Government projects, a typical example is the EU/GOG (European Union/Ghana Government) Micro projects. The GOG contributes 25% of the cost of such projects. They are normally school buildings, toilets and clinics.

#### ***5.5.2 Situation in the Sample Assemblies***

##### ***5.5.2.1 Accra Metropolitan Assembly***

The City of Accra has recorded considerable investment in infrastructure over the past 10 years. Being the national capital, most of the rehabilitated and newly constructed ISP was undertaken by the Central Government and Centrally-guaranteed foreign loans. These include reconstructed streets, roads, new buildings at Korle Bu and Ridge Hospitals; and intersections like Tacky Taiwan, Sancerre Circle and the Central Business Area road network. Redeveloped markets like demolished Mazola No.1 Market and burnt down Mazola No.2 and Agbogbloshie Market represent some of the infrastructure investments.

At the same time, most of the suburbs need improvements to the road network and drainage. Sewerage control and solid waste management are major level ISPs that ought to be given serious attention. For example, the rubbish dump on the Obetsebi to Korle Bu Mortuary Road is a health hazard that needs immediate relocation.

### Inventory of Recent ISP Investments - Accra Metropolitan Assembly

Infrastructure	Year	Basis of Measurement	Funder	Implementer		Estimated Cost ₵
				CG	SNG	
<b>Education</b>						
1. Primary School Buildings	1997-98	379	CG/SNG			7.6bn
2. Secondary School Buildings	1997-98	65	CG/SNG			2.0bn
3. Libraries constructed	1997-98					
<b>Health</b>					SNG	940.1m
1. Hospitals Constructed	1997-98	23	CG/SNG			
2. Hospitals Rehabilitated	1997-98		CG/SNG			
	1997-98					
<b>Community Amenities</b>			SNG			
1. Water Supply	1997-98					₵51.4bn
2. Sewerage	1997-98					₵3.8b
3. Sanitation	1997-98	213 sites				
4. Electricity Distribution	1997-98					
<b>Economic Services</b>		1117.90km	CG/Foreign Donors			₵146.7bn
1. Road/Street Network	1997-98					
2. Intersection – Kand Overpass	1997-98					

#### 5.5.2.2 Cape Coast Assembly

There has been considerable redevelopment of ISP in Cape Coast. The table below indicates the level of inventory concerning the relevant ISP.

### Inventory of Recent ISP Investments - Cape Coast Assembly

Infrastructure	Base Year	Basis of Measurement	Funder	Implementer		Estimated Cost (₵)
				CG	SNG	
<b>Education</b>						
1. Primary School Buildings		95	CG			406,645,000
2. Secondary School Buildings	1997-98	10	CG			85,608,000
3. Libraries Constructed						
<b>Health</b>						
1. Clinics Constructed	1997-98	6				
2. Hospitals Constructed	1997-98					
3. Hospitals Rehabilitated	1997-98					
<b>Community Amenities</b>						
1. Water Supply	1997-98					18,193,000
2. Sanitation	1997-98					596,877,000
3. Electricity Distribution	1997-98					113,306,000
<b>Economic Services</b>						
1. Road/Street Network						55,188,000

Through the Department of Urban Roads, Cape Coast has been developing its roads, streets and drainage network. As the centre of PANAFEST (Pan African Cultural Festival), the city has seen considerable investment in ISP in order to contain the influx of visitors. It still faces the annual problem of water shortage between December and March. Donor support has been the major source of funding. Rehabilitation of the water

pumps, equipment and the dam have not been completed, but the works are on course.

### 5.5.2.3 *Suhum Kraboa-Coaltar*

The level of ISP investment in this rural based District Assembly through DACF has been substantial, measured against the preceding period of 1978-1988. Its internally generated funds have been barely adequate to meet recurrent expenditure. The state of all levels of roads is poor. The major town, Suhum, has a network of potholed streets and roads. The drainage system has broken down. Markets and lorry parks are poorly maintained despite the fact that Suhum is a major market centre.

In the provision of school buildings, rehabilitation of existing ones has covered a lot of them. Some new primary school buildings have been completed.

Within the sphere of water supply, pipe-borne water has reached few of the people. However, boreholes installed with water pumps have been provided over the past 10 years. A number of wells have been constructed and are managed by the communities concerned. Some residents have been trained in the maintenance of the wells and boreholes. The scheme has helped to provide continuous water supply to most of the towns and villages.

### **Inventory of Recent ISP Investments - Suhum Kraboa-Coaltar Assembly**

Infrastructure	Year	Basis of Measurement	Funder	Implementer		Estimated Cost (¢)
				CG	SNG	
<b><u>Education</u></b>						
1. Primary School Buildings	1997-98	155	CG/SNG CG/SNG		SNG	129,111,000
	1997-98	5				
2. Secondary School Buildings	1997-98					
3. Libraries						
<b><u>Health</u></b>						
1. Clinics Constructed	1997-98	6				
	1997-98					
2. Hospitals Constructed	1997-98					
3. Hospitals Rehabilitated						
<b><u>Community Amenities</u></b>						
1. Water Supply	1997-98				SNG	100,000
2. Sanitation	1997-98					81,693,000
3. Electricity Distribution	1997-98				SNG	5,655,000
<b><u>Economic Services</u></b>						
1. Road/Street Network	1997-98					37,471,000

### 5.5.2.4 *Asante Akyem North*

There has been an increase in infrastructure provision over the past ten years. However, most of the structures were poorly constructed through shoddy work, and lack of supervision has reduced the useful lives of most of the infrastructure constructed in the

past ten years. The most affected were the Nsiakrom and Wiaponso JSS. These are school buildings, clinics, water projects and markets. The level of investment in roads has been steady. Most of the roads were constructed before 1988. Of the more than 300km of road network, only 30km is tarred. The rest remain untarred and become impassable during the rainy season.

In the field of water supply, the problem has been overcome by the provision of boreholes and wells. The World Vision International (WVI) and Rural Health Department of Ministry of Health, with donor support, have increased investment in water supply. One major associated problem is the inability of the poor communities to raise the deposit of ₵400,000 per borehole needed to ensure maintenance. The residents of Boatengkrom and Nsiakrom were unable to raise this amount, although the boreholes were been provided. The Boatengkrom one, which broke down, has still not been repaired after six months. Furthermore, the communities allow children to play with the pump, causing frequent breakdowns.

#### **Inventory of Recent ISP Investments - Asante Akyem North Assembly**

Infrastructure	Year	Basis of Measurement	Funder	Implementer		Estimated Cost ₵
				CG	SNG	
<b><u>Education</u></b>						
1. Primary School Buildings	1997-98	155	CG/SNG		SNG	1,119,162,000
2. Secondary School Buildings	1997-98	5	CG/SNG			
3. Libraries	1997-98					
<b><u>Health</u></b>						
1. Clinics Constructed	1997-98	8				
2. Hospitals Constructed	1997-98					
3. Hospitals Rehabilitated	1997-98					
<b><u>Community Amenities</u></b>						
1. Water Supply	1997-98				SNG	16,984,000
2. Sanitation	1997-98					
3. Electricity Distribution	1997-98				SNG	175,589,000
						9,238,000
<b><u>Economic Services</u></b>						
1. Road/Street Network	1997-98					102,403,000

#### *5.5.2.5 Tano District*

Over the past ten years, the Tano District has seen some improvement in its infrastructure service, which had hitherto deteriorated. This is measured against the preceding ten years. As expected, the level of ISP needed within the District is less than provided. At the same time, some of the existing roads are so bad that they cannot be referred to as roads. The road, street and drainage network at Bomaa, a major town, is very poor. The public places of convenience are in a very deplorable situation largely because of the poor workmanship on the part of the contractors who construct toilets.

### Inventory of Recent ISP Investments - Tano Assembly

Infrastructure	Year	Basis of Measurement	Funder	Implementer		Estimated Cost ₵
				CG	SNG	
<b>Education</b> 1. Primary School Buildings 2. Secondary School Buildings 3. Libraries	1997-98	107	CG/SNG CG/SNG		SNG	147,918,877 37,320,000
<b>Health</b> 1. Clinics Constructed 2. Hospitals Constructed 3. Hospitals Rehabilitated		8				
<b>Community Amenities</b> 1. Water Supply 2. Sewerage 3. Sanitation 4. Electricity Distribution	1997-98 1997-98 1997-98 1997-98					149,526,000  18,065,000 22,592,424
<b>Economic Services</b> 1. Road/Street Network	1988-97					

#### 5.5.2.6 Tamale

Like all other Districts in the country, there have been considerable changes in the infrastructure components like water supply, streets and drainage network. However, the increase in the population and size of the city has rendered the improvement insignificant. The citizens want more, but the internally generated funds are not enough to support the needed infrastructure like markets, school buildings and extension of electricity to suburban areas. All the infrastructure investments undertaken are by the Central Government and the District Assembly using DACF and donor support.

### Inventory of Recent ISP Investments - Tamale Municipal Assembly

Infrastructure	Year	Basis of Measurement	Funder	Implementer		Estimated Cost ₵
				CG	SNG	
<b>Education</b> 1. Primary School Buildings 2. Secondary School Buildings 3. Libraries	1997-98		CG/SNG CG/SNG		SNG	811,025,000
<b>Health</b> 1. Clinics Constructed 2. Hospitals Constructed 3. Hospitals Rehabilitated		6				
<b>Community Amenities</b> 1. Water Supply 2. Sewerage 3. Sanitation 4. Electricity Distribution	1997-98 1997-98 1997-98 1997-98				SNG	5,000,000  94,813,000
<b>Economic Services</b> 1. Road/Street Network	1988-97					30,020,000

### **5.5.3 Conclusions**

The information provided under section 5.5 is inadequate, but it points to lack of nationally co-ordinated collation of data. The recording system needs improvement. Furthermore, the attitude not to recognise the value of fixed assets, as is done in commercial entities, is a drawback on financial management and inventory control. Contributions in the form of communal labour are not quantified properly to capture the full cost of ISP.

The culture of maintenance is lacking in all the sampled areas covered. This is due to the lack of proper planning and record keeping on infrastructure facilities, which must be maintained during the year. Budgeting has no place for maintenance and review of existing capital items.

An interesting phenomenon is the increase in population of all the sample areas, as against the maintenance and increase in infrastructure facilities needed to support population growth. The fast deterioration in facilities like school building, toilets and clinics is a manifestation of over use and poor maintenance.

### **5.6 The Role of New Investment in Relation to Existing Stock**

There is a major role for new infrastructure investment due to the inadequate levels of facilities in all the sampled Assemblies. The review in 5.5 shows deterioration in the existing infrastructure. Therefore, the modest improvements are not enough to meet the pressure of the increased population. Still, there are very bad roads/streets and drainage in all the cities, towns and villages of the sampled Sub-National Governments.

Clearly there is a problem of inadequate funding for all agencies involved in ISP. In the case of the SNGs, the sources of finance are limited to Central Government grants, donor aid and constitutionally required transfer of 5% of total national tax revenue to the Districts. Foreign loans are contracted only by the Central government. The SNGs are limited in borrowing from the banks. Unlike the Central Government, the SNGs cannot raise money issuing Treasury Bills or Bonds. At the same time, the NGOs that support ISP in the Districts have limits. NGOs like World Vision International, PLAN and others, have been the conduit through which provision of infrastructure like boreholes, clinics, schools have been constructed.

All SNGs are supposed to keep a Fixed Assets Register to monitor what they have, but, in many cases, they do not do so. Simultaneously, the culture of maintenance must be institutionalised. The District Assemblies are also supposed to set aside a percentage of their DACF to maintain existing educational structures, health facilities and community amenities like boreholes, wells and electricity poles.

Against the background of the need to raise the existing ISP to required levels, there is a clear requirement for new infrastructure components, in view of the increasing population and expansion in areas of settlements, especially the urban areas. The accumulation of rubbish over twenty (20) years calls for new investment to prevent of death and threatening diseases like cholera and diarrhoea. The roads and streets need to be tarred, and the drainage system needs concrete works to control floods.

In order to get more investment for the provision of new infrastructure, funds are being created for specific purposes. Notable among them are the Road Fund and Rural Housing Fund. The Road Fund is disbursed in order to conduct routine maintenance of the roads. This fund is outside the National Budget. Amounts received into this Fund are higher than the DACF. The relevant comparison is as follows:

<b>YEAR</b>	<b>ROAD FUND</b> ¢	<b>DISTRICT ASSEMBLY COMMON FUND</b> ¢
1977	104.0bn	105.8bn
1998	180.0bn	136.4bn
1999	218.0bn ( <i>estimated</i> )	165.0bn ( <i>estimated</i> )

Source: Daily Graphic of 4<sup>th</sup> Feb. 1999 (pg4): National Budget Statement 1999pg 79.

With the Road Fund being managed well and devoid of corruption, the existing roads can be tarred and raised to the desired levels. In addition, new roads, streets and drainage systems shall be provided on yearly basis. However, the contractors who win such jobs should be supervised well to reduce the incidence of poorly executed road works.

The perennial financial inadequacies of the Assemblies, in respect of infrastructure, are being addressed by the fund system. Water Fund and Electricity Fund have been in existence for some time. They appear on the bills submitted by the Ghana Water and Sewerage Corporation and Electricity Company. There is the need to widen the scope of purpose to cover provision of those facilities to all communities and to maintain existing ones.

Expenditure on capital items by the sampled Assemblies follows the 1992 Basic Law of Ghana. As a result, the level of capital expenditure compared to the estimated stock of capital related to ISP is appreciable. The annual capital expenditure of all six sampled Assemblies indicates considerable increase in investment for infrastructure, especially schools clinics and markets. The annual guidelines on utilisation of the Common Fund have directed investment in ISP since 1994.

The annual total expenditure on ISP by the Accra Metropolitan Assembly shows an upward trend. The same applies to Cape Coast, Suhum, Konongo, Bechem and Tamale. All the Assemblies have recognised that new investment in infrastructure can stimulate economic, social and political development of their catchment areas. Therefore, none of them is downplaying such new investments.

Much as the Central Government has undertaken new investments in the provision of infrastructure for Accra, Cape Coast and Tamale, the other sampled Assemblies, through judicious use of the DACF, are experiencing new investment in infrastructure. Tourism has been recognised by all as an industry that can sustain development. Therefore, provision of hotels, health facilities and medical facilities for tourists cannot be underestimated. Potable water is essential. Clean environment and sanitation are needed to attract more tourists and investors.

The Directive principles of state policy, as enshrined in the 1992 Constitution of

Ghana, are linked to the Decentralisation of National Administration. It provides definitive policies towards provision of ISP in all the 110 Assemblies.

The Assemblies have gone further to recognise Central Government and donor-assisted investments as their own. The residents of beneficiary communities consider such infrastructure projects as theirs, and they provide the necessary help. After completion of such projects, annual harvests are conducted to raise funds to maintain the infrastructure. Towns and villages, during Easter holidays, buy waste-baskets to collect waste, provide drugs, equipment and furniture for clinics. The Assemblies have started providing money through budgets to ensure operations and maintenance of infrastructure in their catchment areas.

Therefore, the completion of a project by the Central Government and donors is not the end of ensuring operational continuity. The communities press their Assemblymen for funds to maintain such infrastructure. New investments are therefore not wasted.

In finding ways to maintain new investment in infrastructure, Assemblies are about to create Sinking Funds and Depreciation Funds in their Annual Budgets (out of internally generated Funds) to ensure adequate funding all year for new investment in infrastructure. There are assuring signs of an effective role for new infrastructure investment in relation to existing stock.

## **5.7 Issues of Tariff Policies in Relation to Infrastructure and Service Provision**

### **5.7.1 Central Government Policy**

For the past ten years, the policies of Central Government towards tariffs in relation to infrastructure and service provision have been characterised by liberalisation, privatisation and cost recovery. Such policies are all national in character. For example, the Electricity Company of Ghana, through the Public Utility Regulatory Commission (PURC), cannot set different tariffs for different districts.

The national policy is to provide free compulsory universal basic education at the primary school level. However, the varied fees set by the SNGs and Parent Teacher Associations have given different school fees at different schools.

With regard to health, the policy is cost recovery and immediate settlement of bills by cash. This is the *cash and carry* system, geared toward making the hospitals and clinics self-supporting. Patients pay cash before medical services are provided or immediately after the provision of such services. Senior Medical officers have discretion to provide services where a patient cannot pay cash immediately. Before the cash and carry policy, medical bills were subsidised. Currently, there are certain patients who are exempted from paying fees. This includes pregnant women, children under five years old and the aged (those over 70 years old). Another policy on Medical Bills exempts patients with snakebites and buruli ulcers from payment.

Under the policy of liberalisation, tolling of roads is gradually gaining grounds. Roads cutting across the sampled Districts are being tolled. A central agency is in charge of

the tolls. Therefore, it has not been decentralised. Water and Electricity tariffs are being set to recover as much cost as possible. Full cost recovery has not been achieved yet.

Sanitation is fully privatised in all the sampled Districts. Waste management is based on full cost recovery. Gradually, it is being privatised at the urban and rural levels. New legislation has been introduced for water resource management, production and distribution. The Ghana Water and Sewerage Corporation (GWSC) is statutorily in charge of water provision for the urban areas. Therefore, the water systems in the rural areas and small urban centres like Konongo, Suhum and Bechem are to be managed by the Community Water and Sanitation Agency. The new policy is to ensure that the urban and rural areas are catered for and given affordable tariffs.

In Ghana, there is no legislation covering the extraction of water from underground. There is no tariff on those who privately extract water from underground. No definite policy covers those with private boreholes and wells in their houses or farms. The management of the water tables and quality is non-existent under any regulatory framework.

However, there are basic laws that impose sanctions on those who contaminates water resources. There are bylaws enacted by the various Assemblies to punish those who fish using insecticides like DDT.

Running through the policy of cost recovery is a situation where infrastructure service providers price their services to cover all costs. Such costs include administrative expenses, financial charges (interest on loans contracted), technical and operational expenses (direct labour and materials), marketing costs, research and development costs and mark-up to cover future costs. Invariably, the cost build-up is always higher than the average commercial and domestic consumers wish to pay. It is at this stage that the Public Utilities Regulatory Commission (PURC) begins its work.

Since tariffs in respect of infrastructure do not differ from District to District, the analysis on the individual sampled Assemblies basis is not relevant. The main tariffs that generate national interest are those relevant to electricity and water.

#### **Electricity Tariff**

	<b>Oct 1998</b>
The first 50 units block charge of	¢4,000.00
The next 100 units	¢120 per unit
The next 110 units	¢150 per unit
The next 300 units	¢220 per unit
The next 300 units	¢350 per unit
A Government Special Levy	¢1.70/unit
A Street Light Levy	¢0.50/unit

### Water tariff - Domestic Consumption (June 1999)

Monthly consumption	Rate
The first 10,000 litres per 1000 litres	¢500
The next 30000 litres 1000 litres	¢1,300
Over 40,000 litres, per 1000 litres	¢1,820
Meter rent	¢2000

Interestingly, the fixing of fees and charges for all ISP items is based on a formula that is known by many Ghanaians. Recently, the amount of information being disclosed is wider than before. Now the details on consumption, levels of units consumed and accompanying charges are being disclosed to all consumers.

The formula for electricity and water, which is clearly indicated on each bill, is given below:

**Electricity:**

50 Block charge ¢4,000

100 @ ¢120

117 @ ¢150

Levy @ ¢1.70

Street light @ ¢0.50

**Water:**

First 7 liters @ ¢500

Water charge 5,000

1% fire fighting

2% rural water development

Meter maintenance ¢2,000

Though the setting up of tariff policy in relation to ISP has been difficult, it has been pegged to when and at what level the tariffs should be. Why the tariffs should be set has never been in dispute. Tariffs, fees and charges are being calculated on full cost recovery basis. However, in view of low level of remuneration in the country, infrastructure service providers are unable to achieve high profit margins. User payments are based on consumption by each consumer.

Obviously, beneficiaries of infrastructure services have recognised the need to control consumption of each service in order to reduce their bills. At the same time, there has been selection of which service one has to consume more or less.

Waste in the distribution of water and electricity has been known to influence the level of tariff. About a third of treated water from the main water works at Kpong pumped to Accra is illegally tapped to supply irrigated farms. The policy of GWSC is to block such misuse of water. The illegal beneficiaries do not pay any fees, but this is calculated in the computation of tariffs for consumers in Accra. This increases the tariffs unnecessarily. Illegal connections of water and electricity are known all over the country. Therefore, the policy of the providers, on the insistence of consumers, is to track down the culprits and force them to pay.

One area that attracts the attention of providers and consumers is the reckless reading of meters. Since meter readers do not pick the right figures of consumption, the amount reflected on the bill are sometimes illogical, and consumers refuse to pay. As stated earlier, tariffs for water, electricity and school fees are set nationally. However, tariffs concerning sanitation, solid waste and medical bills differ in each sampled Assembly.

### **5.7.2 General Overview**

In Ghana, the providers normally start the setting of tariffs with regard to water and electricity. The rates are then submitted to the Public Utility Regulatory Commission. The latter, as a regulatory body, considers the interests of both consumers and producers. Currently, the providers have not been able to obtain their level of proposed tariffs. A recent proposal by Ghana Water and Sewerage Corporation to have a 77% increase was rejected due to protests by consumers.

However, there has been gradual improvement in the situation over the past five years, when providers started increasing tariffs on a quarterly basis. As stated earlier, the Sub-National Governments have no control in setting tariff policies, especially water, electricity, school fees and medical bills. National bodies set all, with little or no input from the SNGs.

Paying for services like water, electricity, school fees and solid waste is not new in the country. Since Independence in 1957, the citizens and residents of Ghana have been aware of the need to pay for services. Though there was a stage when ISP was supposed to be free, this cultural tendency to expect free services persists.

All service providers have been attempting to educate the people regarding the cost component of their output. The Electricity Company of Ghana and the GWSC have done so. The Ghana Education Service normally holds District and Regional fora to explain what goes into the fees set. Heads of Primary and Secondary Schools do explain to parents at meetings and through the churches how school fees are set. The Ministry of Health undertakes periodic explanation of the cost structure of the different services provided.

With regard to payment of bills from electricity and water, there are outstanding bills because of late submission by meter readers. The two bodies have collection points, which are not convenient. The natural tendency is for consumers to delay, but constant reminders through local FM stations implore them to pay. The ISP has, as the last resort, the sanction of disconnection. This is an effective weapon, since the occupants of residences that are disconnected have the social stigma of being irresponsible. In certain cases, some families and corporate bodies have genuine problem of cash flow, leading to inability to settle accumulated bills on time.

Private sector involvement in water and electricity supply is in its infancy. Few private operators are allowed to lay pipes for water and lay electric wires in houses yet to be connected. The connections to mains are normally done by staff of ECG and GWSC.

None of the Assemblies has been successful in charging for solid waste collection. However, in the residential area of Accra, the Airport Residential Area, East Legon, Labone and Dansoman, a measure of success has been achieved.

### **5.8 Issues of Self-Governance and Local Decision-Making in Relation to ISP**

Arising from our examination of infrastructure and service provision, important issues on all aspects of ISP have emerged.

Notable among the issues highlighted were the following, which affect self-governance (decentralisation) and the role of Sub-National Governments (SNGs) sampled.

- Most of the infrastructure set up before the full effect of economic liberalisation could be felt has deteriorated to a stage where its impact cannot be felt.
- The population of the SNGs has been growing at a faster rate than the ability of the SNGs to maintain infrastructure and services to support the population growth.
- It has been established that, in spite of the transfer of the Common Fund, the demand for quality ISP is still higher than the funds can provide. The existing school buildings are inadequate to meet the demand. Not enough teachers are trained to provide quality education.
- Unfortunately, the SNGs have no influence in the expansion of teacher training colleges and the number of teachers admitted each year.
- Though SNGs contribute to the provision of school buildings and clinics, they have no influence on teachers, syllabus, doctors and medical equipment needed to realise the ISP.
- The interplay of the following factors has resulted in inadequate supply, maintenance and timely rehabilitation of ISP. The factors are:
  - The amount of money allocated to ISP through the National Budget has been inadequate. Consequently, the budgets of the SNGs have not been enough to maintain, rehabilitate and provide quality new ISP, even in respect of the limited services they are supposed to provide.
  - There is a general policy on infrastructure development outlined in Article 252(2) of the 1992 Constitution. It states “Parliament shall annually make provision for the allocation of not less than five percent of the total revenues of Ghana to the District Assemblies for DEVELOPMENT”. However, a lack of capacity, in terms of qualified manpower at the sampled Districts, has led to a slow pace in the development of ISP.
  - The lack of co-ordination between central government agencies and sub-national government for ISP has led to waste of money in certain aspects. For example, whilst the regional department of feeder roads in Kumasi decided to construct a feeder road in a district without consulting the Assembly, the selected road was to be least used to generate wealth by the inhabitants. Meanwhile the District Assembly

decided to construct a low quality road but one more relevant to the needs of the people. This study brought to fore the Dwease-Nsiakrom road in Asante Akyem North as a typical example of lack of co-ordination that led to the misuse of public money by a Central Government agency.

- Even the parastatals concerned suffer from lack of retooling, provision of appropriate and adequate chemicals, equipment and machinery. SNGs experience a similar problem in respect of waste management.
- Lack of manpower in the field of engineering, architecture, finance and construction needs mentioning.
- Corruption among public and private actors, whereby individuals abuse their official positions to enrich themselves to the disadvantage of the nation, is worth noting. This is very clear in the areas of procurement, award of contract for public works and collection of national and SNG revenues. These have led to poorly executed works like school buildings, clinics, markets, roads, drainage systems and public toilets. The sampled SNGs, as constituted, have no solution to these problems. Large-scale and petty corruption is widespread at all levels and affects ISP; however, unfortunately, it is very difficult for the SNGs to minimise its incidence.
- The Central Government sector and parastatals dominate the provision of infrastructure and services. The Electricity Company of Ghana (ECG) and Volta River Authority (VRA) dominate electricity generation and distribution, though there may be private sector providers.
- Without doubt, the Ghana Water and Sewerage Corporation (GWSC) and the Community Water and Sanitation Agency (CWSA) dominate the water industry. Non-governmental organisations like DANIDA and World Vision International have penetrated this sector, but their scope of operations cannot reduce the strength of GWSC and CWSA. It is, therefore, clear that the SNGs have little influence over electricity and water provision.
- Until the operations of ECG and GWSC are decentralised fully at the District level, the SNGs lack the power to influence the technical, personnel, financial and operational policies of the parastatals.
- The SNGs have direct influence on the provision of sanitation and solid waste management. However, they have to reorganise themselves to get the needed qualified technical personnel (engineers and quantity surveyors), financial administrators and equipment.

We propose the following suggestions as remedies for the problems enumerated:

- Many infrastructure projects are underway in all the SNGs studied. It is the responsibility of management to keep comprehensive record of all completed projects and their full cost. The absence of a complete assets register in all the SNGs is a drawback in taking proper decisions in relation to ISP. Whether the projects are donor-funded, Central Government financed, NGO supported or SNGs funded, they should be fully recorded as assets of the District's catchment area. Such an exercise and good corporate governance shall help to keep tap on all

- asset inventories of the SNGs. This is a decision the SNGs must make and implement. It is a clear weakness in the financial set-up, which should be rectified.
- The Auditor-General of Ghana is charged with auditing and reporting all public accounts of Ghana. This includes Central and Local Government administration. The Auditor-General's scope of work should cover the extent of maintenance and rehabilitation of all public properties, which include ISP. Annual reports on how SNGs maintain their properties will focus attention on unnecessary deterioration in ISP where even money might have been provided for in annual budgets but not executed. Proper supervision and reporting on state of streets, roads, drainage system, accumulated solid waste, school buildings, clinics, water works and electricity distribution networks, as revealed in this study, shall lengthen the useful life of infrastructure and buildings alike.
  - Through the Public Utility Regulatory Commission, the Central Government influences the tariff policies of the Electricity and Water providers. The Ghana Education Service, as an agent of Ministry of Education, has control of the levels of school fees. In the same vein, the Ministry of Health has influence on medical bills. Against this background, the SNGs sampled have little role in setting tariff policies.

## **5.9 Conclusion**

The study revealed an attempt to establish the linkage between sub-national finance and infrastructure and service provision by sub- national bodies.

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## **CHAPTER SIX**

### **REGULATORY ENVIRONMENT**

#### **6.1 The Legislative and Regulatory Framework**

The legislative and regulatory framework provides organisational channels through which functions are performed to achieve strategic and operational objectives. The framework is best viewed as a means to an end. Therefore, government's overall policy objectives, contained in the legislative and regulatory framework, provide the context for assessing the infrastructure and service provision (ISP) capacity of Ghana's District Assemblies (DAs).

##### ***6.1.1 Legislative Framework***

Since independence in 1957, successive Ghanaian governments have been attracted to decentralisation as a means of reforming the country's administrative system. The search for effective administration has taken the form of government-instituted commissions and committees whose mandate has been to enquire into the political and administrative relations between the centre and the periphery and make recommendations for reform. Such public bodies have included the Greenwood Commission (1957), Van Lare Commission (1958), Mills-Odoi Commission (1967), Siriboe Commission (1968), Akuffo-Addo Constitutional Commission (1968), Okoh Commission (1976), Constitutional Commission (1979), Kaku-Kyiamah Committee (1983), Sackey Committee (1983) and Sowu Committee (1983). All of these bodies expressed concern at the high level of centralized authority in Ghana and argued for a decentralised system that would weld citizens, government and administration in an organic union (Ayee, 1994).

The Mills-Odoi and Siriboe Commissions, appointed by the National Liberation Council (NLC), deserve special mention for their impact on subsequent (including the current) attempts at decentralisation. The former was of the view that there should be a radical decentralisation of responsibility for the management of affairs. Pursuant to that view, it recommended the merger of the civil service and local government to provide unified machinery of government at the district level. This was to take the form of district authorities, with executive powers, operating under the control of district councils. In agreeing with the position of the Mills-Odoi Commission on decentralisation, the Siriboe Commission proposed a structure of local government which could best be described as three-tiered, consisting of regional, district and area/town/local councils. Considered together with the Mills-Odoi report, however, there emerged a four-tiered structure of regional, district, and local councils and town and village development committees to replace the single-tier structure of local government in the Nkrumah period, 1957-1966 (Ayee, 1994).

The district councils were intended to be the basic unit of local government, responsible for the usual local government activities revolving around the provision and maintenance of markets, lorry parks, schools, and health and sanitation facilities. In a

radical departure from the old system, district councils were also to co-ordinate the activities of the field agencies of many government departments, including those of health, education, agriculture, treasury and public works. More significantly, the intention to control these agencies was to pass from central government to the new district councils. These councils were to be made up of between 21 and 27 councillors, two-thirds of whom were to be elected, the remainder being chosen from local chiefs. A district chief executive was to undertake overall supervision and management of the district council (Ayee, 1994).

In spite of the recommendations that were made by the commissions and committees, attempts at decentralisation were stalled until 1974. Thus the Local Administration Act, (Act 371), 1971, promulgated by the Progress Party (PP) government, became non-operational because the government was overthrown in a military coup d'etat after 27 months in office. Significant changes were made to the 1971 Act before it was put into effect by the Local Administration (Amendment) Decree (NRCD 258), 1974. The 1974 local government structure sought to abolish the distinction between local and central government at the local level and create one integrated or fused structure (district councils) to which was assigned the responsibility of government at the local level. Some existing local council areas considered small were merged to create larger districts. The result was the creation of 65 district council areas headed by district commissioners, which were appointed by the central government – the National Redemption Council (later Supreme Military Council (SMC) from 1975 onwards).

However, attempts at decentralisation in the NLC period and later in the 1970s failed to register any appreciable change in the balance of power between the centre and the local level, for reasons ranging from non-implementation to structural deficiencies (see Chapter 3). As with all Ghanaian governments, decentralisation revolved round district councils that had no effective power. The centralist character of government thus persisted in a succession of regimes. It is perhaps not fair to emphasise that decentralisation policies pursued by post-colonial governments were not genuine attempts to reform public administration in Ghana, or to redress political power relationships between the central government and structures below it, but rather a means of political control (Ayee, 1994).

Against this background, the most comprehensive effort since independence to reorganise administration at the local level was undertaken by the Provisional National Defence Council (PNDC) government when it implemented its decentralisation programme with the promulgation of the Local Government Law (PNDC Law 208), 1988. The programme aimed at reforming the government machine to bring about qualitative changes in the country's administration, including a systematic devolution of power and functions from ministries and departments in Accra to District Assemblies (DAs). The guiding principles were efficiency and effectiveness in administration, both being particularly aimed at rural development administration. In addition, the PNDC saw decentralisation as a means to participatory democracy and collective decision-making at the grassroots.

The policy objectives of the PNDC decentralisation programme depict a blend of political and administrative decentralisation. The previous attempts at decentralisation had been more interested in administrative decentralisation - that is, changes to the

structure of government machinery - than in diverting government's political power to lower levels of administration. In contrast, decentralisation in the late 1980s by the PNDC government was aimed at providing a structure capable of discharging efficiently the developmental functions entrusted to it, while at the same time maintaining and pursuing its democratic elements.

The legislative framework for decentralisation in Ghana today is provided through the Local Government Act (Act 462), 1993. This Act itself is a revision of PNDC Law 207, which laid the basis for the entire decentralisation programme. In addition to the Local Government Act, other legislation also governs the decentralisation programme (see Box 3.2 Chapter 3), and it is meant to facilitate its implementation. More importantly, Articles 240 - 242 of the 1992 constitution also provides constitutional backing for the decentralisation and, for that matter, the establishment of sub-national governments in the country.

The 1993 Local Government Law outlines the structure and functions of the District Assemblies (DAs). Headed by a central government appointed District Chief Executive (DCE), the DAs are composed of two-thirds elected members whilst the other one-third of assembly members are appointed by the government. Below the DAs are the Urban, Town and Zonal Councils, and Unit Committees: these are essentially consultative bodies performing functions delegated to them by the DA, and have no budgets of their own. These bodies were established in August 1998 after two court injunctions prevented the holding of elections to the Unit Committees based on the disputed 1987 electoral register.

Ten Regional Coordinating Councils (RCCs) monitor and co-ordinate the DAs. Each RCC is composed of the Regional Minister as Chairman, his deputies (all appointed by the President with the prior approval of Parliament), the Presiding Member and District Chief Executive of each district within the region, two chiefs from the Regional House of Chiefs, and the regional heads of decentralised ministries, departments and agencies as non-voting members.

The DA is responsible for:

- development of the district, including planning and budgeting;
- promotion of productive activities and social development;
- development, management and improvement of human settlements and the environment; and
- development of basic infrastructure.

While success in achieving such goals is difficult to measure, the Legislative Instruments setting each DA provide a specific list of up to 86 particular duties. For instance, it is the duty of the DA to:

- ensure the provision of adequate and wholesome water supply throughout the entire district;
- provide or arrange for electric lighting in streets ... in consultation with the Electricity Corporation;

- construct, repair and maintain all public roads other than trunk roads;
- maintain ... all public buildings;
- build, equip and maintain all public primary, middle and special schools; and
- be responsible for the improvement of agriculture including extension services and allotments.

Such legal duties do form a useful benchmark against which to measure the outputs of the DAs. Indeed, the decentralisation programme has made the DAs take on additional expenditure responsibilities, such as the provision and maintenance of second-cycle educational institutions. The responsibilities were not assumed or shared. Consequently, the arrangement created difficulties for the DAs since they lack the human and financial resources to meet their statutory obligations.

Each DA has established an Executive Committee (EXECO) that acts as the executive secretariat of the Assembly and is responsible for day-to-day administration. It consists of the DCE as chairman and one-third of the members of the whole DA. The Executive Committee works through the sub-committees of the DA, key of which are the Finance and Administration, Social Services, Works, Development Planning, and Justice and Security sub-Committees.

It is intended that decentralised departments and agencies of central government will come directly under the supervision of the District Assemblies for the purposes of day-to-day administration, performance appraisal, training and promotion. Although this has been formalised legislatively with the passage of the Civil Service Law (PNDC Law 327), 1993, the degree of interaction and co-ordination between the decentralised departments and the DAs varies from district to district. The 1993 Local Government Act specifies that 22 departments and agencies be rationalised into 16 (for Metropolitan Assemblies), 13 (for Municipal Assemblies) and 11 (for DAs).

Considerable difficulties have been experienced in the integration of the line ministries and departments. They include:

- reluctance of the national and regional level officers of the line ministries to accept the redefinition of their roles and relationships with the District Chief Executives (DCEs) – the political heads of the districts who are appointed by the central government – and district heads in terms of the decentralised system of government and the failure of the central and regional heads of departments to instruct their district officers to work through the DCEs;
- holding on to funds and controlling programmes in the districts by some staff of the line ministries and departments without the knowledge of their own officers. Some line ministries and departments continued to operate independently of the DAs and refused to acknowledge the authority of the DAs over them; and
- various instruments that set up the various ministries and departments have not been amended even in the face of the changes, such that the district heads of departments attend meetings of the DAs more out of respect or fear rather than as legal obligations on them (Ahwoi, 1992; Ayee, 1997a; 1997b).

The line ministries and departments, in spite of “decentralisation”, continue to report to

Accra through the regions, while their staff were appointed, promoted, remunerated and disciplined by their national and regional offices because the DAs lacked the financial resources to “hire and fire” staff. The farthest the DAs can go in controlling the staff of the line ministries and departments was to request their respective headquarters to remove the recalcitrant officers. The headquarters, in turn, responded by delaying replacement of such officers, or sometimes actually refusing to transfer them, with the excuse that they were short of staff. The frustration of the DAs in dealing with district level officers has been amplified by President Rawlings:

“Government is aware of the tendency of some departments to undermine the authority of the District Assemblies, claiming to report only to their head offices. There have been cases where requests by the district assembly for vital information have been turned down because the personnel of the departments concerned still refuse to understand the new order in local government administration. Some attitudes being displayed by the bureaucracy have tended to impede the process of grassroots participation and actions will be taken to make the bureaucracy responsible enough to work for the people, and with the people (Rawlings, 1991: 14).”

Even though President Rawlings spoke of “remedial action” to get the line ministries integrated with the DAs in 1991, as at the middle of 1998 nothing concrete has been achieved. What has been done may be described as cosmetic, even though the Minister for Local Government and Rural Development thinks otherwise. To him the regulatory framework has been provided, but the actual integration is yet to occur. For instance, under the Local Government Act (Act 462) of 1993, instead of each of the district having 22 decentralised departments, Metropolitan Assemblies, Municipal Assemblies and District Assemblies are to have 16, 13 and 11 decentralised departments, respectively. The Ghana Education Service, which was on the list of 22 departments, disappeared from the list of departments and organisations now to be decentralised under Act 462 for unexplained reasons.

Like the President, the Minister of Local Government and Rural Development has also pointed out that:

“the non-establishment of the decentralised departments as integrated departments of the DAs represents one of the major shortcomings of the entire decentralisation programme. In the event, what has happened is that the various sectors Ministries have established committees at the district level in order to establish a linkage with the District Assembly, and virtually all the committees are chaired by the District Chief Executive. In the end, he chairs none (Ahwoi, 1998: 16).”

In spite of the intentions of the 1992 Constitution, the Civil Service Law (PNDC Law 327), 1993 and the Local Government Law (Act 462), 1993 to promote democratisation through decentralisation, the bureaucracy is as centralized as ever before, and the DAs are far from being served as a competent, loyal body of staff. The source of continued centralised administration lies in contradictory legislation passed by the same government that has proclaimed abiding interest in decentralisation. While the Civil Service Law and the Local Government Act provided for decentralised civil service, legislation such as the Education Service Law and the Health Service Law have been

passed that continue to place the staff working with the DAs under the control of their headquarters in Accra. An example of central interference was exhibited in June 1998 when the Director General of the Ghana Education Service signed performance contract with the District Directors of Education when they were supposed to work for the DAs (Nkrumah, 1998). Indeed, the Minister for Local Government has blamed the slow pace of decentralisation on the bureaucracy, particularly the top management personnel of the Civil Service:

“Every impediment has been placed in the way of implementing the decentralisation programme. Top civil servants do not know about the programme and do not want to know. Some have deliberately confused it with an exercise of deconcentration (Ahwoi, 1992: 24).”

Evidence does not necessarily support this assertion. But the heart of the matter is that administrative reform of any kind encounters resistance, and policy makers and implementers must take measures to neutralise or minimise it rather blame source of resistance when they are in the heat of the reform. In other words, policy makers and implementers must devise potent strategies when implementing a policy, otherwise they will be explaining away their own failures.

One of the greatest problem in the decentralisation programme is the position of the Ministry of Local Government and Rural Development (MLGRD) vis-à-vis the other sector ministries, notably finance and education. In the words of the Ministry of Local Government and Rural Development (1996: 60):

The MLGRD was expected to operate as a Local Government Secretariat for the purposes of the decentralised local government system. Resistance to this role of the Ministry is a summation of the resistance to the decentralisation programme. Nevertheless, this resistance could be broken down if three things are done:

- (i) the decentralisation of the national recurrent budget prepared by the Ministry of Finance (MOF), which will locate the remuneration of the district level staff;
- (ii) an increase in the percentage of the national revenue that constitutes the Common Fund which will have the effect of expanding the sectors of coverage of the decentralised development budget; and
- (iii) the establishment of a Local Government Service with its concomitant decentralisation of staff recruitment.

### ***6.1.2 Regulatory Framework***

The 1993 Local Government Law (Act 462) has designated Ghana's District Assemblies (DAs) – local government units – as the:

- highest political and administrative authorities;
- planning authorities;
- development authorities;
- budgeting authorities; and
- rating authorities.

Consequently, the DAs have been given 86 functions to provide deconcentrated, delegated and devolved local public services. For instance, a deconcentrated function of the DAs, as agents of the Ghana Highway Authority, is the maintenance of trunk roads lying within the boundaries of their areas of authority, while a delegated function is the provision of adequate and wholesome supply of water throughout the entire district in consultation with the Ghana Water and Sewerage Corporation. Similarly, a devolved function of the DAs is the mobilisation and management of revenue as well as the construction and maintenance of feeder roads, streets, parks, cemeteries and other public utilities. Indeed, the devolution of authority to the DAs has made them to take on added responsibilities such as the provision and maintenance of second-cycle educational institutions, which were hitherto performed by the central government. Indeed, merely giving 86 functions without adequate financial and human resources may be seen as a way of not empowering the DAs.

Some progress has been made towards the devolution of authority to the DAs. Specifically, the DAs, on the advice of the District Tender Boards, have been given the power to award contracts not exceeding \$100,000; they are the sole taxing authorities in the districts; they make by-laws, which are subject to approval by the Regional Coordinating Councils (RCCs) before they become operative; they prepare their own annual budgets that reflect their estimated and actual recurrent and capital expenditures; they are corporate bodies, which can sue and be sued; and they are the district planning authorities, charged with the overall development of the districts (Republic of Ghana, 1992; 1993; 1994).

In spite of the devolution of authority, the DAs suffer severe limitations in the exercise of such authority. First, they cannot “hire and fire” senior staff, even though a category of junior staff could be “hired and fired”. Although the legislation stipulates that staff of the 22 line ministries and departments at the district must be controlled by the DAs, the staff of the departments still owes allegiance to their parent bodies at the national level. This is because their recruitment, career progression and dismissal are done by the national headquarters of the departments and at the DAs levels. Second, the exercise of the authority is subject to two things:

- the monitoring of performance of the DAs by the Regional Coordinating Council (RCC), chaired by the Regional Minister, an appointee of the central government - Although the RCC is to play a secondary role in Ghana’s decentralisation system, it is in practice very powerful, especially when there has generally been no agreement on its “co-ordinating and monitoring” functions. On several occasions, the RCC has controlled the activities of the DAs. Sometimes the power to approve or reject the by-laws of the DAs is delegated to the RCC by the Minister of Local Government and Rural Development; and
- general guidance and direction of the President on matters of national policy - The most important reserved intervention of the central government is the power of the President to “cause to be investigated the performance of any function of a district assembly and where necessary in the public interest declare a district assembly to be in default and transfer to a person or body as he may think fit such functions of the

district assembly". This prerogative has been used thrice in the Manya Krobo, Nanumba and Zabzugu-Tatale districts, when the DA of the three districts could not operate due to conflicts. This seems to be a "big stick" that has been held over the heads of the DAs by the central government. The Minister of Local Government has defended this as intended to ensure a strong central government presence at the DA.

Third, although the DAs have been given the power to borrow money and obtain overdrafts within Ghana, they cannot do so without the approval of the Minister of Finance. No such approval is, however, required where the loan or overdraft to be raised does not exceed US\$10,000 or a guarantee by the central government. Most DAs were not able to take advantage of this proviso because no bank was willing to grant them credit facilities because according to the banks, the DAs "do not have bankable proposals or projects".

Fourth, even though the DAs are budgeting authorities, they are required to submit to the Regional Coordinating Council (RCC) before the end of each financial year, a detailed budget for the district stating the revenue and expenditure for the ensuing year. This authority for the composite budget is derived from Section 92 of Act 462, the Local Government Act. The sample experience shows that draft estimates for most sectors in the six districts are prepared by the district and regional offices of the so-called decentralised departments and then synthesised by their sector ministries in Accra before they are sent to the Ministry of Finance to be examined by the Budget Division. After this scrutiny, a budget hearing is held to determine the provisional estimates. In other words, the Ministry of Finance eventually approves the budget estimates of the DAs. Furthermore, although the central and local government treasuries at the district level have been merged into one District Finance Office, the idea of a district composite budget remains a fiction. Under the composite budgeting system, the budgetary allocations due to the so-called "decentralised departments" such as Health, Education, Social Welfare, Community Development and Town and Country Planning are to be sent directly to the DAs. The rationale behind it is that since the district officers of the departments will no longer go to Accra, the national capital, they will develop loyalty to the DAs through which they will receive their funds. The idea of composite budget has therefore been promoted to curtail the central control over the DAs. In practice, however, nothing has happened. Central ministries continue to direct how the local departments should use funds and organise their work.

Furthermore, the Ministry of Finance has refused to relinquish control over approval of estimates. Indeed, it has been found that central financial control over capital spending and official payments as stipulated by the Financial Administration Decree (FAD), 1979 and the Financial Administrative Regulations (FAR), 1979, has become tight. Perhaps even more importantly, the subordinate staff of the DAs is not fully at their disposal. The DAs have been given instructions since 1990 on personnel levels by the Office of the Head of the Civil Service and the Ministry of Finance. Even the transfer of a Grade I typist has to be done through the civil service machinery (Ayee, 1994). All these have worked to the diminution of decentralisation. The President in his 1998 Sessional Address to Parliament directed the Ministries of Finance and Local Government to operationalise the idea of composite budgeting but the Minister of Local Government doubts whether it will be possible.

Fifth, the devolution of authority to the DAs has also been circumscribed by the Ministry of Local Government and Rural Development (MLGRD). This ministry monitors the decentralisation process and the effectiveness of the DAs and advises the government on all local government issues. Consequently, it approves all by-laws of the DAs, issue guidelines for the making and levying of rates in the districts and issues instructions, after consultation with the Ministry of Finance, for the better control and efficient management of finances of the DAs. The Minister for Local Government and Rural Development, however, indicates that the guidelines are issued not to circumscribe the authority of the DAs but rather because of the major macro-economic impact that the rates, fees and licenses would have on Ghanaians. Most DAs have constantly complained of directives from the MLGRD that have tended to undermine their autonomy and independence.

### 6.1.3 Experiences of the Sample District Assemblies

Evidence from the six sample DAs (Accra, Tano, Cape Coast, Tamale, Suhum-Krobo-Coaltar and Asante Akim North) indicates that the legislative and regulatory framework have adequately transferred competencies and responsibilities to the DAs. However, it was found that there is a disparity between the functions and responsibility vis-à-vis financial and human resources, in spite of the efforts of the government to improve them. Consequently, the DAs have generally fallen far short of both their general and specific statutory responsibilities. This is particularly true in respect of their duties to provide and maintain water, roads, electricity, sanitation and schools. Moreover, even services and projects that were provided did not respond closely to popular conceptions of needs, and were therefore, not highly valued by the public. This is because DA members, most of the times, did not consult their electorate before embarking on projects.

It is on record that Regional Ministers and District Chief Executives at their annual conferences have complained to the central government about the few resources given to the DAs to perform numerous functions, some of which were hitherto performed by the central government (which has a vast array of human and financial resources at its disposal). Because of the disparity between functions and resources, some Assembly members have become disillusioned and frustrated. Promises, which were made to the electorate for the provision of basic amenities, have remained largely unfulfilled.

Apart from the disparity between resources and functions, the functions are constrained by the following factors:

- the power of the President to dissolve a DA in the public interest without recourse to the electorate;
- the so-called co-ordinating role of the RCC which, in fact, has become a way of controlling the DAs;
- the power of the Minister for Local Government in consultation with the Minister of Finance to issue financial instructions;
- the power of the Minister of Local Government to issue guidelines for the making and levying of rates;

- the power of the Minister of Local Government in consultation with the Minister of Finance to approve all loans exceeding 20 million cedis;
- the approval and rejection of all DA bye laws by the Minister for Local Government;
- the approval of all proposed district development plans by the National Development Planning Commission;
- the prescription of national building regulations by the Minister of Works and Housing in consultation with the Minister for Local Government which shall be complied with by the DAs in making building bye-laws for the districts;
- the authorisation of a DA by the Minister for Local Government to provide omnibus transport services. However, the Minister before giving the authorisation must satisfy himself that the provision of the omnibus services will be economically viable;
- a DA, subject to the approval of the Minister for Local Government, may join any other DA in the carrying out of any commercial activity that falls within the scope of their respective functions; and
- in the discharge of their functions, DAs are (a) subject to the general guidance and direction of the President on matters of national policy and (b) act in co-operation with appropriate public corporation, statutory body or non-governmental organisation.

These, no doubt, affect the ability of exercising local self-government. Admittedly, every government has to contend with the balance between local autonomy and central control, for the sake of political stability, co-ordination of development projects, and harmony between local and national aspirations.

## **6.2 Legislative requirements of District Assemblies**

### ***6.2.1 Responsibilities***

Section 10 of the Local Government Act, 1993 enjoins DAs to exercise political and administrative authority in their districts and confers on them deliberative, legislative, planning and executive functions. Similarly, the Legislative Instruments that created the DAs stipulate that the DAs shall perform the functions set out in the Second Schedule of the Instruments. In the discharge of its statutory functions, a DA may either enter into contract with another DA for a project in which they are jointly interested or may join another DA in the carrying out of any commercial activity that falls within the scope of their respective functions. As indicated in Chapter 3, DAs provide de-concentrated, delegated and devolved functions and services (see Boxes 6.1, 6.2 and 6.3). The provision of some of the services by the selected sampled DAs is examined.

### **Box 6.1: Deconcentrated local public services**

Certain Services have been deconcentrated to the districts in Ghana. They are the Immigration Service, Police Service, Customs, Excise and Preventive Service, Internal Revenue Service, Prison Service, National Fire Service and Education Service. These have deconcentrated offices or branches in all the 110 districts. Although the Services do not come directly under the umbrella of the DAs, they help in the general governance of the districts.

In addition, the DAs provide certain services as agents of some state institutions. For example, the DAs in the Legislative Instruments that created them are to do the following:

- (i) maintain as agents of the Ghana Highway Authority trunk roads lying within the boundaries of their areas of authority;
- (ii) maintain as agents of the central government, all public buildings, including prestige buildings put up by the Central government and previously maintained by the Public Works Department; and
- (iii) perform as agents of the National Sports Council by organising sporting activities and providing facilities.

### **Box 6.2: Delegated public services**

The Legislative Instruments that created the DAs give them functions that may be classified as delegated public services. In this connection, the DAs participate in the provision of certain services that are normally carried out by other levels of government. For example, the DAs are to:

- (i) promote and safeguard public health through the assignment of medical officers, health inspectors and other staff of the Ministry of Health;
- (ii) establish and operate clinics and dressing stations in consultation with the Ministry of Health;
- (iii) ensure the provision of adequate and wholesome supply of water throughout the entire district in consultation with the Ghana Water and Sewerage Corporation;
- (iv) provide or arrange for electric lighting in streets and other public places, and where necessary to provide electricity supply in consultation with the Electricity Corporation;
- (v) build, equip and maintain primary, middle and secondary and special schools as are in the opinion of the Minister of Education, after consultation with the Minister of Local Government. In this connection, every DA is to appoint a District Education Oversight Committee to be concerned with and oversee the conditions of school buildings, provision of teachers, the proper performance of duties by staff at the schools, complaints and other matters;
- (vi) arrange the provision of public libraries in consultation with the Ghana Library Board;
- (vii) control the disposal of any African antique work of art with the prior approval of the Ghana Museums and Monuments Board;
- (viii) promote tourism in the district in co-operation with the Regional Development Corporation and the Tourist Development Board;
- (ix) register all births and deaths occurring in the district subject to control and direction of the Registrar of Births and Deaths;
- (x) establish and maintain postal agencies, where necessary, in consultation with the Ghana Postal Service;
- (xi) provide information centres, where necessary, in consultation with the Ministry of Information;
- (xii) provide agriculture and veterinary extension work in co-operation with the Ministry of Food and Agriculture;
- (xiii) promote environmental protection in the district, in collaboration with the Environmental Protection Agency, through the establishment of District Environmental Committees; and
- (xiv) prevent and control of fire outbreaks in collaboration with the Ghana Fire Service.

### **Box 6.3: Devolved public services**

The devolved services of the DAs are:

- (i) district planning, which includes public hearing of district, sub-district and local action development plans;
- (ii) mobilisation and management of revenue;

- |        |   |
|--------|---|
| (iii)  | construction and maintenance of feeder roads, streets, parks, cemeteries and other public utilities;  |
| (iv)   | power of entry of premises;   |
| (v)    | control of the construction of buildings through approval of building plans;  |
| (vi)   | removal or abatement of obstructions and nuisance;  |
| (vii)  | render relief services during natural disasters, for example, flood, fires, earthquakes, accidents, in the form of supply of material;  |
| (viii) | making of bye-laws, which are submitted to the Minister of Local Government for approval or rejection;  |
| (ix)   | acquire land or buildings within or outside their jurisdiction;   |
| (x)    | purchase land, service it, and reallocate it to prospective public or private developers for development;   |
| (xi)   | advise the Minister for Education on all matters relating to primary and middle schools and such other matters as may be referred to it by the Secretary for Education;   |
| (xii)  | To be responsible for – <ul style="list-style-type: none"><li>• postings and transfers within its area of authority, of teachers including pupil teachers;</li><li>• keeping of records of teachers;</li><li>• discipline of teachers in accordance with the disciplinary code laid by the Ghana Education Service;</li><li>• appointment of head-teachers in accordance with rules laid down by the Ghana Education Service;</li><li>• supervision of primary and middle schools;</li><li>• in-service training for pupil teachers;</li><li>• payment of teachers' salaries from funds made available by the government;</li><li>• disbursement of Education Grants.</li></ul> |

The deconcentrated, delegated and devolved services of the DAs make the DAs the local government units responsible for urban and rural development and services delivery with the participation of the people and within the context of national policies. This notwithstanding, most of the functions in the three boxes are not performed by the DAs because of meagre financial and human resources.

The six sample districts show that service provision is mainly in the area of health, education and forestry. The DAs are more concerned with primary or preventive health as against curative health. The health department of the DAs goes round educating citizens and prosecuting those who do not practise acceptable standards of hygiene. In addition, the DAs register births and deaths. Curative health is the responsibility of the central government's Ministry of Health.

In the area of education, the DAs exercise administrative and supervisory role at the schools. This is at the pre-school, primary and Junior Secondary School levels. The physical infrastructure of the schools is provided by the central government while the DAs maintain it. The fixing of school fees is done by the central government. However, miscellaneous charges such as Physical Education, maintenance and furniture charges are agreed upon by the Parent –Teacher Association (PTA) and the DA. Parents also pay education levy.

In the area of forestry, policies regulating forestry and forestry products are determined by the central government's Ministry of Lands and Forestry. The DAs only work in collaboration with the District Forest Products and Inspection Bureau to ensure that the citizens abide by the rules and regulations governing forestry and forestry products.

### 6.2.2 Current Trends

The potential of the DAs in the promotion and enhancement of local initiative is not in doubt. The DAs in the six sampled districts had provided basic community services in the form of classroom, health posts, markets, extension of electricity and hand-dug wells. These local initiatives were, however, undertaken either in collaboration with or solely by non-governmental organisations (NGOs) and donor agencies. For instance, NGOs like World Vision and Adventist Development and Relief Agency (ADRA) had provided water, clinics, latrines and schools to vulnerable communities in the districts. Donor agencies such as the World Bank, Canadian International Development Agency (CIDA) and Danish International Development Agency (DANIDA) had assisted in areas of infrastructure programmes and capacity building. For example, the World Bank supported the most urbanized district infrastructure programmes in Accra and Tamale districts. CIDA and DANIDA, on the other hand, through their funding for local initiative, provided basic needs assistance to the DAs in the form of support for schools, clinics, water latrine construction and income generating activities. The Ministry of Local Government and Rural Development's Programme for Rural Action (PRA) sought to help people in the rural areas to realise their peculiar needs and problems and how to find solutions to them, rather than provide physical facilities. This programme, which spanned the period 1993-1998, was funded by the German Technical Co-operation (GTZ) at a cost of DM9.4 million.

The development of a local political process depends on the ability of the DAs to co-operate and work with Civil Society Organisations (CSOs) at the district level. In recognition of this, the legal framework of decentralisation stipulates that the DAs should co-ordinate, integrate and harmonise development programmes promoted or carried out by CSOs as well as act in co-operation with them in the district. However, there is no evidence of co-ordinated activity between the DAs and CSOs. The CSOs, without consultation or co-ordination with the DAs, carried out projects. **There is therefore mutual distrust between the CSOs and DAs over questions of funding.** The DAs felt that the CSOs were better funded by donors and therefore were able to provide more and better quality basic amenities, thereby creating real legitimacy problems for the DAs in the districts. On the other hand, the CSOs had the impression that they were better than the DAs in terms of the provision of projects because of their superiority in terms of human and financial resources. Consequently, a non-reciprocal relation between the organisations of Ghana's CSOs and the DAs evolved that has had the practical effect of not resolving local level issues and promoting democratic tendencies. One other dimension of the problem is that the DAs often did not grasp the important role that CSOs play and did not consult with their leaders. For their part, the leaders of the CSOs generally did not make the effort to place their legitimate demands before the DAs (Ayee, 1994; 1996; 1997b).

There have been differences in the capacities of the six sample DAs (Accra, Tano, Cape Coast, Tamale, Suhum-Krobo-Coaltar and Asante Akim North) in the performance of their functions. Accra, the nation's capital, has benefited immensely from Urban 1 and II projects, which were jointly financed by the World Bank and the central government. The involved the upgrading of infrastructure and services like roads, drainage, sanitation and garbage disposal, water and electricity supply to certain parts of the city of Accra. In addition, a Roads Maintenance Unit has been created and equipped.

Furthermore, the Urban 1 and II projects have components of capacity building that resulted in the improvement of its revenue collection and accounting procedures as well as the development of a corporate plan in which resources are matched with investments.

Similarly, Cape Coast and Tamale, being municipal districts, have also benefited from Urban III project (also financed by the World Bank and the government of Ghana) whose objectives are to:

- improve basic infrastructure and services in secondary cities, especially services benefiting lower income people;
- promote the sustainability and expansion of urban services by strengthening the DAs;
- expansion of financial, technical and managerial capacities; and
- efficiency in the provision of infrastructure and services.

Components of the project include:

- rehabilitation and construction of roads and storm drainage;
- construction of markets and lorry parks;
- provision of waste management facilities both liquid and solid; and
- institutional strengthening of financial assistance, training and provision of equipment.

The projects have achieved their objectives because they have tended to enhance the capacity of Accra, Tamale and Cape Coast districts to provide a reasonable amount of services to their residents, even though there is more room for improvement. For instance, Accra Metropolitan Assembly (AMA), disposes about 60% of garbage in the city of Accra while the remaining 40% has been privatised. Private companies that engage in waste disposal are Gee Waste, Ako Waste Management and Liberty Wastes and Dabeng Cleansing. This notwithstanding, AMA has proved incapable of coping with the problem of garbage collection and disposal. Residents interviewed indicated that the city is dirty because AMA has failed to perform its statutory responsibility of making Accra clean. A number of factors account for this. They are:

- lack of logistics, tools and equipment. For instance, AMA has 15 multi-lift refuse collection trucks instead of 78;
- difficulty in finding landfill sites;
- difficulty in finding refuse container sites in the city;
- inadequate generation of funds from garbage disposal. There is evidence to suggest that high and middle level income earners pay some fee to AMA for waste disposal;
- inability to match waste disposal facilities with the fast growing population of Accra; and
- slow decomposition of generated waste.

The other three districts, namely, Tano, Suhum-Kroboa-Coaltar and Asante Akim North, are mainly rural districts, which did not benefit from any project. Consequently, their capacity to provide infrastructure services has been severely limited by lack of

financial resources. This brings one to the unevenness that characterises sub-national governments and the need therefore to take their capacity and capability into account when assigning them functions.

The evidence available shows that all the six DAs performed better their deconcentrated and delegated functions and responsibilities rather than the devolved ones. This is because they rely mainly on central government for human and financial resources required to perform devolved functions.

The provision of basic infrastructure services in the areas of water, sanitation, refuse collection, roads, markets and motor parks, basic education, primary health care facilities and electricity supply have engaged the attention of the sample DAs. Although some efforts have been made to provide them, there is still a long way to go in spite of the assistance being given by CSOs.

### **6.3 Issues of decision-making relevant to ISP**

Issues of decision-making relevant to the capacity of the DAs to provide infrastructure and services are influenced by institutional constraints in implementing decentralised management. One of the major obstacles to implementing decentralised management is the multiplicity of central control agencies – the Ministry of Finance (MOF), Ministry of Local Government and Rural Development (MLGRD), the Ministry of Education (MOE), the Ministry of Health (MOH), the Comptroller and Accountant General (CAG), the Office of the Head of the Civil Service (OHCS), the Public Services Commission (PSC) and the head offices of some parastatals like the Ghana Highway Authority, Ghana Water and Sewerage Corporation and Electricity Corporation of Ghana – that are reluctant to liberalise control over human and financial resources. Consequently, decentralised structures have created without enough devolution of financial and personnel controls. Indeed, these institutions control over financial and personnel resources made their co-operation critical for the success of decentralisation since they must be convinced that effective accounting, internal control and personnel management systems are in place before they can allow greater devolution of financial and personnel functions.

The multiplicity of central controls sometimes leads to policy confusion, conflict of authority and delays in appointments, as co-ordination and sharing of information among the DAs are not effective. More specifically, there are limitations on the power of the DAs to hire and fire, except for very junior and temporary workers. The DAs have no freedom to decide on the mixture staff within the manpower ceilings set for them by central agencies. They also have no say in paying and grading of staff, as these are centrally determined and follow a national policy. The establishment of posts, recruitment and terms and conditions of service are directly controlled by the central government agencies whilst appointments, promotion and discipline of staff are also beyond line managers' authority. This situation has created enormous clumsiness in accurate assessment of staff performance especially at a time when the DAs are expected to not only move towards performance-based pay but also provide value for money infrastructure services.

A paradox of structural adjustment is that it generates simultaneous demands for strict

fiscal control, especially over employment cost, and decentralisation. Since devolved units have no control over hiring and firing and the related salary budget, they have no incentive to economise on payroll costs because any resulting savings cannot be retained or transferred to other items of expenditure.

More importantly, the six sample District Assemblies reported that they lack independent decision making powers in the fiscal sphere because they required ministerial approval for all major financial decisions taken by them. For instance, ministerial approval is needed for the following:

- contracting of loans exceeding 20 millions cedis (about \$10,000);
- making and levying of rates and fees;
- joint commercial activity; and
- investments.

Every government has to contend with the balance between local autonomy and central control, for the sake of political stability, co-ordination of development projects, and harmony between local and national aspirations. Consequently, a harmonious relationship must exist between the local government units and the central government. To find out whether this rapport has existed between the central government and the DAs, respondents were asked from the six sample DAs to describe the relationship between the centre and the sub-national units. Majority of official respondents reported that the relationship is one of co-operation while a few described the relationship as one of interference.

Central control has been exacerbated by contradictory legislations, which have been passed by the government. For instance, the Civil Service Law (PNDCL 327) and the Local Government Act (Act 462) provided for decentralised civil service. However, legislations such as the Ghana Education Service Act (Act 506), 1995 and the Ghana Health Service and Teaching Hospitals Act (Act 525), 1996 have been passed that continue to place the staff working in local government areas under the control of headquarters in Accra. An example of centralized behaviour is the Director General of the Ghana Education Service signing performance contract with the District Directors of Education when these are supposed to work for the District Chief Executive (DCE). Indeed, there is a contradiction between the Local Government Act and the Ghana Education Service Act in the matter of control and management of schools. The Local Government Act requires that branches of state agencies, like the Ghana Education Service (GES), in the districts must be absorbed by the DA. Thus, the District Director of Education would report to the District Chief Executive (DCE) and be accountable to the DA. The GES Act has maintained the status quo. Currently, education in the district is controlled by a District Education Oversight Committee (DEOC), a statutory committee set up by the GES Act. The membership of this committee includes the DCE, who is the chairman, as well as two other members of the DA. Amendments in the Act will be required to make the DEOC, a committee of the DA, and the District Directorate of Education, a department of the DA.

Central-local relations reveal the centralising features of decentralisation. The central government has the power to influence the decisions of the DAs. The interpretation of the powers of the DAs rests with the central government, particularly the powerful

Ministry of Local Government and Rural Development (MLGRD). Thus, any act of a DA that the central government considers irreconcilable with the law is declared illegal. All bye-laws of the DAs are approved either by the MLGRD or the Regional Coordinating Councils (RCCs) - regional administrative bodies which have the Regional Ministers, central government appointed persons as chairmen - while the President has the power to dissolve or suspend any defaulting DA in the "public interest". Such encumbrances clearly do not advance any devolution of decision making to supposedly democratic and largely autonomous bodies like the DAs. The majority of respondents reported that the relationship was one of Cupertino rather than interference because they wanted to save themselves from dismissal or severe reprimands from officials of the central government or the regional administration.

#### **6.4 General aspects and components of central government policies concerning local self governance with respect to sub-national government**

As noted in Chapter Three, the government's decentralisation policy is based on three premises:

- development must respond to people's problems and represents their objectives and priorities;
- development is a shared responsibility between the central government, local government units, parastatals, non-governmental organisations and the people at the grassroots; and
- local government institutions are necessary because they provide focal points of local energies, enthusiasm and initiative.

Based on the above premises, the government's policy concerning local governance includes:

- the devolution of central administrative authority to the districts;
- the fusion of governmental agencies at the regional and district levels into one administrative unit, through the process of institutional integration, manpower absorption, composite budgeting and provision of funds for the decentralised services;
- the divestment of the centre of implementation responsibilities and transfers those responsibilities to the districts; and
- the assignment of functions and responsibilities to the various levels of government in the following manner:
  - Central government ministries/departments are to undertake policy planning, monitoring and evaluation of policies and programmes;
  - Regional Coordinating Councils and their Regional Planning Co-ordinating Units are to play the role of co-ordination, to ensure consistency, compatibility and coherence of district level development as well as facilitate joint ventures among districts;
  - District Assemblies are responsible for the implementation of development policies and programmes co-ordinated by the National Development Planning Commission.

The decentralisation policy has been hampered by constitutional, financial, logistics, personnel and attitudinal difficulties. Specifically, they include the following:

- ineffective mobilisation of local revenues;
- centralisation of the national recurrent budget;
- a partisan central government system vis-à-vis a non-partisan local government system;
- the allegiance of staff at the district level to their regional and national headquarters;
- poor quality of staff at the district level; and
- poor relationship between officials of the DA, especially between the District Chief Executive and Member of Parliament.

In spite of the problems and difficulties, the decentralisation programme has produced some positive results. First, it has enabled the local people to show some interest in their own affairs and participate, even if minimally, in policies and programmes in their areas. Indeed, the programme has awakened the spirit of voluntarism and “awareness” among most sections of the communities, which is reminiscent of the period 1957-1960. It has dawned on communities that the development of their areas lay on their shoulders.

Second, the decentralisation programme has led to an incremental access of people living in previously neglected rural areas to central government resources and institutions. The DAs have undertaken development projects such as the construction and maintenance of feeder roads, school classroom blocks, clinics, places of convenience and markets as well as the provision of water and electricity. But these, as we have already noted, seem marginal and far from the objectives set for the decentralisation programme.

Third, insofar as the programme aimed at political renewal or the opening up of a repressive PNDC regime, it has created a huge number of opportunities for mostly young people who aspired to a career in politics. The new opportunities that came with decentralisation eased the frustration of aspiring politicians, deflected them from the norm-less behaviour and destructive factional infighting, which often result from frustration with limited political opportunities. Consequently, leaders of associations, social groups and other interests near the grassroots, seized the opportunities to integrate state and society in potentially creative interactions, which seem to promote a culture of bargaining among them.

Fourth, in co-operation of the Department of Community Development, the DAs have got involved in functional literacy programme. The aim is to promote functional literacy as an agent for socio-economic transformation and to correct the ineffective use of language and numerate that had impeded local development. Illiteracy could be associated with child abuse, teenage pregnancies, poor health and declining productivity.

Fifth, environmental issues have also been tackled, as sub-committees were established by DAs to draw up by-laws to prevent, control and monitor bush fires, as well as check environmental degradation generally. Social factors affecting development have also

been considered. Sub-committees have been set up to protect vulnerable groups such as women and children. The goal was to prevent the exploitation of children by irresponsible adults and to end anachronistic customary practices such as female circumcision.

## **6.5 Management of budgets by District Assemblies vis-à-vis operational autonomy**

### ***6.5.1 Overview of Budgeting, Accounting and Auditing Processes***

An overview of budgeting, accounting and auditing processes can best be done by revisiting the control exercised by the Ministry of Local Government and Rural Development (MLGRD) over the DAs. The MLGRD is a Local Government Secretariat and is described as a “super-ministry” that performs the following functions:

- monitors the decentralisation process;
- monitors the effectiveness of local government bodies;
- advises the government on all local government issues;
- promotes and administers local government training institutions;
- advises on the review of local government administrative boundaries;
- and
- issues guidelines to the DAs and approves their bylaws before they are enforced.

In addition to these functions, the MLGRD has been authorised by the 1993 Local Government Act to exercise the following budgetary controls over the DAs, aimed at ensuring financial accountability:

- gives financial instructions to the DAs;
- issues written instructions, after consultations with the Minister for Finance, not inconsistent with any of the provisions of Act 462, for the better control and efficient management of the finances of the DAs;
- authorises the inspection of books, accounts and records of the DAs. Any person who wilfully obstructs the MLGRD’s authority commits an offence and is liable on conviction to a fine not exceeding 100,000 cedis (\$50) or to a term of imprisonment not exceeding three months or both; and the case of a continuing offence to a further fine not exceeding 1,000 cedis a day on which the offence continues; and
- establishes an Inspectorate Division.

For audit purposes, each DA has an internal audit unit while the Auditor General audits the accounts of the DA annually and sends his report to the MLGRD, Parliament and the DA.

Given the substantial dependence of the DAs on central funding, resource allocation procedures are vital in affecting the degree of local autonomy and the extent to which the local level can adapt national policies to suit local preferences. Although by 1992, there was a merger of central and local government treasuries, the idea of composite budget (the aggregate revenue and expenditure of all departments and organisations under the DA and the District Co-ordinating Directorate, including the annual

development plans and programmes of the departments and organisations under the DA), remains a fiction. This is because the Ministry of Finance (MOF) still has the following functions to perform as far as budgeting is concerned:

- MOF has the authority to prepare, publish and control the national budget;
- MOF approves the budget (approved estimates of revenue and expenditure);
- MOF issue Financial Encumbrances (FEs) to ministries, departments and agencies to cover their expenditure;
- MOF instructs the Comptroller and Account General's Department to give ceilings within which Financial Encumbrances must be spent, this is normally 75% of FE; and
- MOF approves DA's budget.

In other words, composite budget has not been implemented because the MOF has literally refused to relinquish control of budget to the DAs. The Minister for Local Government, in a paper presented in May 1998, indicated that composite budgeting is essentially a Ministry of Finance responsibility that may possibly be undertaken as part of the Public Finance Management Reform Programme (PUFMARP) exercise. Frustrated by the inaction of the MOF with regards to decentralisation, the Minister for Local Government remarked:

Even though the President in his 1998 Sessional Address directed the Ministries of Finance and Local Government and Rural Development to operationalise it this year (1998), I very much doubt whether it will be possible (Ahwoi, 1998: 28).

### ***6.5.2 Indicators of Actual Operative Autonomy***

This section is devoted to answering three questions:

- To what extent do the DAs exercise discretion over local budget without interference from the central government?
- Are central government transfers to the DAs reliable and predictable?
- How independent are the DAs in respect of making legally binding decisions within the confines of the regulatory and legislative framework?

#### ***6.5.2.1 Autonomy in Relation to Tax Revenue***

One aim of decentralisation is to mobilise local level resources for development. It can occur in two ways – when elected bodies impose taxes, and when citizens make voluntary contributions to development projects. Has this been the case in Ghana?

Section 34 of the Local Government Act, 1993 stipulates that a DA may charge fees for any service or facility it has provided, subject to guidelines issued by the Minister of Local Government; Section 94 of the Act, on the other hand, makes the DA the sole rating authority for the district. Indeed, no authority other than the DA, notwithstanding any customary law to the contrary, has power to make or levy rates in the district. In

this connection, each DA is required to maintain proper records of rateable persons and tenements in its district. A DA, as a rating authority, is empowered to reduce or remit payment of any rate because of the poverty of a person liable to the payment of the rate.

Rates, listed under Sixth Schedule of the Local Government Act, which a DA is empowered to charge include:

- General rate, which includes either a rate payable by the owner of premises or a rate assessed on possessions of persons (property rate) residing within the district. The Land Valuation Board has monopoly over the valuation of property;
- Special rate, which includes a basic amount payable by all persons of or above the age of 18 years who reside within the district or owners of movable or immovable property;
- Development charge imposed on beneficiary prospective developers for acquiring serviced land;
- Rate and levies on crops other than cocoa, coffee, cotton and sheanuts;
- Fees on services such as conservancy, cattle pounds, advertisements, market stalls, corn mills, graveyards, lorry parks and slaughter houses;
- Licenses with respect dogs, hawkers, hotels and restaurants, births and deaths, taxi cabs, herbalists, beer and wine sellers;
- Taxes chargeable on the income of self-employed persons such as spare parts dealers, chemical sellers, tailors and dressmakers, butchers, radio and television repairers, video operators, traders, garage owners, hairdressers, scrap dealers and liquor sellers;
- Miscellaneous fees such as stool land revenue, toilet receipts, dislodging of latrines, town hall/community centre receipts.

The SNGs can vary the tax rates of only basic taxes.

The major problem with property tax is the inability of the Lands Valuation Board (LVB) to value the properties of the DAs.

To ensure fairness in both rating and assessment or valuation of premises, a Rate Assessment Committee for every district is appointed by the Regional Minister on the recommendation of a DA concerned. The Committee consists of a chairman and four other persons. A person aggrieved by a valuation of the DA (the valuation authority) or by a rate imposed on his premises can apply for a review to the Rate Assessment Committee. Any person or rating authority aggrieved by a decision of a Rate Assessment Committee may appeal to the High Court.

An examination of the Local Government Act shows that the DAs have been given adequate power and autonomy to raise locally generated revenue and spend it without much restriction. However, in spite of the wide-ranging powers given the DAs to raise revenue, their revenue capacity is weak vis-à-vis their extensive functions. The DAs are also constrained by the inability of residents to pay their rates and fees because of poverty.

The government's response to the financial inadequacies has been essentially two-fold.

First, is the device of “ceded revenue”, under which a number of taxes have been transferred to the DAs. These taxes include entertainment duty; casino revenue tax; gambling tax; betting tax; advertisement tax; income tax payable on registration of trade, business, professional or vocation; daily transport tax payable by operators of commercial transport; and income tax payable by specified categories of self-employed persons in the informal sector.

Money generated from the ceded revenue is centrally collected by the Internal Revenue Service. The total collected for a year is transferred to the Ministry of Local Government that shares it among the 110 DAs, using a revenue sharing formula approved annually by the Cabinet, based on equality, population and assessed development status or level of deprivation of each district. The revenue sharing formula, however, seems unclear because it does not detail the factors used and the weighting assigned to them, or the criteria employed for determining the degrees of deprivation of the districts. In other words, there is no fixed formula designed for sharing proceeds from the ceded revenue. The central government provided guidelines on how ceded revenues should be used. It must, however, be pointed out that ceded revenue has not been paid in since 1997.

The second approach at revenue transfer is the District Assemblies’ Common Fund (DACF) under which the 1992 Constitution directs that not less than 5 percent of the total revenues of Ghana shall be shared among the DAs on the basis of a formula approved by Parliament annually. In effect, the DACF could only be used for capital and non-recurrent expenditure. Apart from casual labourers, the salaries of all staff of DAs are paid by MLGRD. The formula for DACF in 1998 was based on four factors. They were:

- the **needs** factor (that seeks to redress the imbalance in the various levels of development among the districts) – 35%;
- the **equalising** factor (that seeks to ensure that each district, irrespective of size, natural endowment and population is given an equal specified minimum for development) – 35%;
- the **responsive** factor (which motivates the DAs to mobilise more resources locally for the development instead of relying solely on the DACF) – 20%; and
- the **service pressure** factor (which is determined by population density and a “responsiveness” factor) – 10%.

These factors have been the subject of controversy because of the unreliable statistical data used in their calculation by the District Assemblies’ Common Fund Administrator (DACFA). Consequently, Members of Parliament (MPs) and others have complained about the modalities used in their calculation, which to some are inequitable. In addition, 10% of the total allocation has been set aside as Reserved Fund (formerly called contingency). One half of the Reserved Fund is to be allocated to the 200 Members of Parliament (MPs) for the development of their constituencies. The DACF is administered by a District Assemblies’ Common Fund Administrator (DACFA), who is appointed by the President with the prior approval of Parliament.

In Chapter 4, with the exception of Accra Metropolitan Assembly, disbursements from the DACF generally show that they exceeded revenues generated locally by the other five DAs.

That the DACF has tremendous impact on the operation of the DAs cannot be denied. Nevertheless, from the point of view of central-local relations, the DACF has been operationalised in such a way that it has increased central control, not reduced it, as it was conceived to do. Under Section 9 of the DACF Act (Act 455) of 1993, the Minister of Finance (MOF), in consultation with the Minister of Local Government and Rural Development (MLGRD), is authorised to determine the category of expenditure of the approved budget of a DA that must be met out of the DACF. After areas have been drawn, the DAs select projects to the value of their share and communicate this to the DAFCA and the MLGRD. Consequently, the MLGRD issues guidelines to the DAs for the utilisation of the DACF each year. This stipulation has been carried out in 1994, 1995, 1996, 1997 and 1998 by a directive from the MOF, in consultation with the MLGRD, to all the 110 DAs to concentrate their allocations from the DACF on specific projects in the areas of health, education and central government undertakings.

Since the DACF became operational, guidelines have been made to cover the following periods:

- Transitional arrangements covering the period between 1994 and 1996, that is, the Pre-Development Plan Preparation period;
- Five Year Medium Term Plan period, 1996-2000

#### Transitional Arrangements – Pre-Development Plan Preparation Period

The transitional arrangements were contained in two main circulars from the MLGRD. The salient issues raised in these circulars were:

- Projects embarked upon by the DAs with the DACF should conform to national development policies, plans and objectives;
- DAs should continue with all transferred on-going Public Investment Programme (PIP) sector projects under the Ministries of Education, Health, Works and Housing and Local Government and district capital and rural electrification projects. DAs were subsequently advised to allocate not more than 50% of their share of the DACF to the transferred projects;
- DAs could reactivate and complete suspended and abandoned projects originally designed to provide basic services in their area of jurisdiction. The viability of such projects should first be assessed by the DA and confirmed by the Regional Coordinating Council (RCC);
- DAs could start with projects that would promote development and community development;
- DAs may not purchase or invest in central government projects being divested in accordance with national economic policy for restructuring production activity; and
- Metropolitan and Municipal Assemblies should make appropriate and adequate allocations for meeting cost of waste management including general sanitation, operations of garbage collection and disposal, human waste collection and disposal and beautification. The allocations should adequately cater for the operation and

maintenance cost of these activities (Ashanti Regional Coordinating Council, 1997).

#### Five-Year Medium Term Plan Period, 1996-2000

With the preparation and approval of District Development Plans under the National Development Planning (System) Act, (Act 480) in 1996, DAs were requested to utilise their share of the Fund on programmes and projects embodied in their Five Year District Medium Term Plans.

In addition, DAs were to look forward for guidelines to guide them in the utilisation of the DACF. Consequently, in August 1997 the MLGRD again issued further guidelines to provide the development framework towards the realisation of the goals and objectives of *Ghana Vision 2020*. The major policy agenda are as follows:

- The existing guidelines issued in 1994, 1995, 1996 are still relevant;
- Allocations should be made to pay all outstanding debts;
- Allocations should be made to complete and pay for on-going contracted, direct labour and community labour projects;
- Contracts which cannot be financed out of the 1997 DACF should be terminated;
- DAs may allocate not less than 20% of their shares of the DACF to promote and support productivity improvement, employment and income generation in the district;
- DAs may set aside not less than 10% of their allocation of the DACF to support and sustain self-help development initiatives of communities in the district;
- DAs may set aside not less than 5% of their shares of the DACF for a special poverty reduction programme aimed at rural housing improvement;
- DAs that do not have community and District Tribunals are to make allocations in their Supplementary Estimates for the construction of facilities to house Community/District Tribunals (Ashanti Regional Coordinating Council, 1997).

These directives have been seen by the DAs as undermining their autonomy. The government, however, has explained that the directive is not meant to control the DAs, but rather to serve as an interim measure designed to manage the interface between the period of centralized project funding and a decentralised one. In the view of the government, if the directive is not issued it would be difficult to complete abandoned projects by the central government in the districts. This directive has become a permanent feature of the DACF, especially since the Act that establishes the DACF stipulates that no expenditure from the Fund may be made without the consent of the Minister of Finance acting in consultation with the MLGRD. In short, therefore, through central institutions such as the Ministry of Finance, Ministry of Local Government and Rural Development, and the District Chief Executive (DCE), who represents the central government at the local level, the decisions on the allocations of the DACF have been usurped by the central government so that the DAs remain without finance to implement their decisions. Consequently, the DAs have not been able to demonstrate the superiority of democratic processes through their own per-

formance. Continued central control has prevented the DACF from being an instrument of decentralisation and democratisation.

Even though one concedes that the DACF has substantially increased the financial base of the DAs, the financial viability of the DAs is still in doubt. This is because the 110 DAs and 10 Regional Coordinating Councils (RCCs) as well as some members of parliament (MPs) have, since the introduction of the DACF in 1993, constantly drawn the attention of the central government to the inadequate disbursements from the DACF and accordingly, appealed for an upward revision of the percentage. In addition to the low proceeds from the DACF, which have affected the financial buoyancy of the DAs, there is evidence to suggest the proceeds have been embezzled by DA officials. In the award of contracts for development projects, some District Chief Executives (DCEs) had colluded with contractors to inflate the costs of projects. In April 1997, 25 DCEs were dismissed for rent-seeking practices. Indeed, in August 1997, the Regional Minister for Ashanti refused to commission a clinic in one of his districts because the cost was inflated. The rent-seeking activities of DCEs have been deplored by the Vice President, John Mills. Speaking at the closing session of an induction course for 27 new DCEs held in August 1997 in Accra, he warned that:

If any of you has the notion that the office of the district chief executive is for amassing wealth at the expense of the people, I invite him or her to step down now. Severe sanctions, not excluding criminal prosecutions, would be imposed on any district chief executive caught dipping his hands into the District Assemblies' Common Fund or any funds of the assemblies (Daily Graphic, 1997: 1-2).

Furthermore, monitoring teams of the Regional Coordinating Councils and the report of the Auditor General for 1995, 1996 and 1997 indicate that most DAs had invested "idle" funds, which usually were proceeds from the DACF, in treasury bills. The central government directed the DAs to refrain from the practice because it amounted to government paying interest on its own money and this fuelled inflation. The reports of the Auditor General also pointed to disturbing accounts of improper allocations resulting in advanced commitment of proceeds of the Common Fund for several years, some as far forward as the year 2020 as well as poor contract management, resulting in poor construction works, overpayments, corruption and, in a few instance, misappropriation. In the view of the Vice President, "this malfeasance must stop, else the noble idea of the Common Fund will be discredited" (Daily Graphic, 1997). Consequently, Regional Ministers were asked by the MLGRD to closely monitor the operations of the DAs in their regions. A temporary ban, with effect from January 1997, was imposed on the award of new contracts by the DAs except with the prior approval of the Regional Coordinating Council (RCC).

The introduction of the DACF seems to have made the DAs to over-rely on its proceeds rather than being an incentive to locally mobilise resources. Majority of the DAs, with the exception of AMA, did not raise about 45% of their projected revenue from traditional sources since the introduction of the DACF. Records from the monthly trial balances of the DAs show that most DAs had not performed well in mobilising the necessary revenue from the traditional sources of income to support administration. This poor state of affairs has been confirmed by the reports of the RCC monitoring

teams that toured the 110 districts in 1996 and 1997 and the report of the Auditor General for the same period. Even though the factor of responsiveness in the revenue sharing formula was meant to stimulate local mobilisation of funds for development, there is evidence to suggest that the collection of locally generated revenue has gone down considerably. Consequently, the factor does not really have the desired effect.

Although the proceeds from the DACF are regular and reliable, evidence from the six sample districts show that they are nonetheless late. For instance, disbursement of the last quarter of 1997 was received only in the second week of February 1998.

#### ***6.5.2.2 Autonomy in Relation to Tariffs***

Although the autonomy of the sample DAs in relation to tariffs is not in doubt, there are certain inhibitions that have tended to undermine their autonomy. First, the MLGRD gives financial instructions to the DAs. Second, the power to charge fees or any service or facility or for license or permit is subject to such guidelines prescribed by the MLGRD. For example, recommendations were made by the Finance and Administration Sub-Committee of two of the sample DAs for an upward adjustment of certain rates and fees but they were rejected by the MLGRD apparently for political reasons. Third, the fixing of property rate by the DAs is subject to assessments approved by the Lands Valuation Board. This has undermined the capacity of the DAs to fix appropriate rates commensurate with properties under their areas of jurisdiction.

#### ***6.5.2.3 Autonomy in Relation to Recurrent Expenditure Decision-Making***

As indicated above, DAs have been given the freedom to utilise locally generated resources. Once the recurrent budgets of the DAs have been approved by the Ministry of Finance and sent through the MLGRD and the RCC, the DAs have the latitude to utilise the available resources.

This notwithstanding, certain decisions of the central government have had a negative impact on the DAs. First is the construction or completion of Junior Secondary Schools (JSS), particularly, JSS workshops. The JSS programme was part of a radical restructuring of the education system decided upon by the PNDC, with a great deal of donor support. Its main features were the upgrading of the old middle schools into JSS, which could offer a more “practical” or vocation education and simultaneously broaden the base of entry into the new senior secondary schools. This was a reform decided upon by the PNDC in its “revolutionary” phase and implemented precipitately, without consultation or adequate resource planning. The DAs and the Ghana Education Service were pressured to exhort town and village committees to build their own JSS facilities, either with the DAs contributing directly or with local tax rebates for purchase of materials. The enormous costs of this programme were passed onto the DAs with some help from the Programme of Actions to Mitigate the Social Cost of Adjustment (PAMSCAD) community development funds (PAMSCAD was a government-funded attempt launched in 1988 to alleviate the poverty and unemployment caused by structural adjustment programme). In effect, the whole emphasis of the local development effort in education had been dictated by central government policy. Second is the growing crisis on the recurrent budget side, particularly as regards services.

The impact at the district level was dramatic. Wage costs fell sharply as a proportion of total expenditure, reflecting the two main responses of the districts: the sacking of many clerical, service and labouring personnel and the withholding by districts of their 50% share of employees' wages. By 1992, most of the revenue collectors and labourers had been on half-pay for almost two years. In spite of the government's view that the majority of district employees were paid for doing nothing, there was a real impact, visible in the deterioration of public cleanliness and the collapse in tax collection rates. Sanitary services were virtually non-existent in many places, and attempts to organise sanitary labourers to make up their wages by collecting "user charges" were largely unsuccessful. Revenue collectors simply resorted to corruption to survive.

#### ***6.5.2.4 Autonomy in Relation to Capital Expenditure Decision-making***

Projects to be financed by DACF have to be in line with the general guidelines and priorities of central government. For locally generated revenues, it is the responsibility of the DAs solely to decide upon uses.

Although in theory, DAs have autonomy with relation to capital expenditure decisions, in practice they do not. This is because the poor state of DAs' finances has made them to rely on either central government or civil society or donor resources in the provision of capital expenditure. Many of the capital expenditure decisions that are made by the DAs are funded by the central government through either grants or the DACF.

#### **6.5.2.5 Autonomy in Relation to External Finance Decision-making**

Even though the DAs, under the Local Government Act (Act 462), 1993, are corporate bodies that can sue and be sued, and enter into contract with other bodies, they have limited autonomy regarding external finance decision-making. They can borrow money to discharge their obligations in two main ways:

- loans within Ghana and
- overdrafts within Ghana.

These are subject to approval by the MLGRD, in consultation with the Minister of Finance. However, no approval is required where the loan or overdraft does not exceed 20,000,000 cedis (about \$10,000) or has a guarantee by the central government. In practice, the DAs cannot borrow because they are usually perceived as poor credit risks by lending institutions.

The Act is silent on whether the DAs can mortgage or issue stock or bond at the country's Stock Exchange.

## **6.6 Private sector involvement in ISP**

### ***6.6.1 Private Sector Involvement: Rationale and Principles***

Some have oversold the value of fully privatised service/goods delivery/production systems, while others have refused completely to consider their potential value. These

appear at times suspiciously like ideological battles rather than analytical theories. The point to be made here is that objective and identifiable characteristics of discrete service/goods ought to be the issues on which these choices turn. For example, private markets may be an efficient and effective way to produce goods and services where goods:

- are not “public” goods, are not “common pool” resources, lack significant positive and negative spill-overs;
- allow quality evaluation fairly easily by potential consumers; and
- pose no significant equity issues (that is, such as are posed by such questions as access to health care).

Recent research on management, the costs of performing it from the centre and the problem of doing it all when technologies are unknown and environments are severe, suggest that externalising management functions to the private sector is a strategy Third World leaders might seriously consider. Centralising management, under these conditions, is costly, likely to become trapped in premature programming and cost-ineffective technologies and, at times, leads to politically explosive battles. Finally, by training, temperament and bureaucratic regulations, administrative careerists are often ill suited for the ambiguous and necessarily innovative tasks that development administration requires. It would seem better to externalise these situations to individuals outside government, where self-selection will tend to encourage better managers and innovators to provide the services.

#### ***6.6.2 The Current Situation in Ghana***

The Local Government Act does not put much premium on the direct involvement of the private sector in the DAs provision of goods and services, in spite of the government’s policy of making the private sector as an engine of growth. The Act has a terse stipulation that in the discharge of their functions, the DAs may act in co-operation with non-governmental organisations. This notwithstanding, private contractors have been used for maintenance as well as the construction of new works (roads, school buildings and markets) at the district level. In spite of these initial forays into private sector contracting for the delivery of public goods and services, that approach remains a largely uncharted area in Ghana. Similarly uncharted is the scope for supporting local economic development through support to private initiative at the local level. The pursuit of statist policies by successive governments has stunted the growth of the private sector. The key issues here include:

- the need to increase the scope of private and community participation in managing or providing water supplies;
- the maintenance of roads, drains, water supplies, and vehicles;
- the collection and disposal of solid waste;
- the operation of markets;
- the need to increase the scope for private and community participation in revenue mobilisation and collection; and
- the need to encourage the development of local private enterprise through the provision of basic infrastructure and services, or the removal of regulatory or procedural barriers at the local level.

### ***6.6.3 Experiences in the Sample District Assemblies***

The experiences in the sample DAs (with the exception of AMA) indicate that private sector involvement in infrastructure service provision (ISP) is weak. In the area of education, although there are mission schools, teachers are paid by the central government. The only thing that some of the missions do is to subsidise cost of boarding and lodging and thus make life a little bit bearable for the students. In the area of water provision, boreholes are built by non-governmental institutions (NGOs) such as World Vision and Adventist Development Relief Agency (ADRA). In a few cases, the DAs have entered into partnership with the NGOs to provide some of the services. The central government, the donors or the DAs are mainly involved in infrastructure service provision. Private sector participation in ISP, therefore, has largely remained sporadic.

This notwithstanding, private and community participation in revenue mobilisation and collection has been tried at one time or another: for instance, by chiefs and commissioned collectors (the bulk of today's revenue collectors), the Internal Revenue Service (IRS) (in respect of ceded revenue) and the Ghana Private Road Transport Union (GPRTU) (in respect of Daily Transport Tax).

#### ***6.6.3.1 Privatisation***

Out of the six sample DAs, the AMA has been able to privatise the provision of garbage collection and waste disposal. The arrangement is within the rubric of privatisation of the provision of goods and services under which AMA retains management for garbage collection and waste disposal. Although the contractual obligations are clear, there is the tendency of some of the contractors failing to perform their obligations. Consequently, the AMA has been accused of proving incapable of performing its function. The AMA has also mooted the idea of doing "business" at the Ghana Stock Exchange (GSE). This is yet to materialise. The remaining five sample DAs have not engaged in privatisation of their services. This is because they lack the financial resources to do so.

#### ***6.6.3.2 Commercialisation***

Since the establishment of the Ghana Water and Sewerage Corporation (GWSC) and the Electricity Corporation of Ghana (ECG), there is evidence that they break even because of the subsidised nature of their rates and tariffs. With the implementation of structural adjustment programme and the emphasis on cost-recovery, the government has decided to commercialise some of the utilities like water and electricity in the country. Consequently, the state owned corporations have been turned to state companies. As a result of the commercialisation of utilities, the government has established a Public Utilities Regulatory Board (PURB) in 1997 to regulate the tariffs of the state companies. The commercialisation of the utilities has been resisted by the Ghanaian populace. The government, therefore, has intervened in a few occasions to put pressure to bear on the PURB not to approve the tariffs of the utilities companies. The inability to approve the electricity tariffs of the Electricity Company of Ghana in 1997 led to the resignation of its chief executive.

However, there has not been any attempt to commercialise goods and services provided by the DAs. The main reason is that the commercialisation of the services will lead to the recovery of the actual cost of service delivery, which will be expensive for the average user who is very poor. It must be borne in mind that majority of the people in the sample districts live in poverty and squalor. Consequently, asking them to pay for the commercialised utilities will result in equity issues that will have political implications.

## **6.7 Basic Constraints to Operational Autonomy of the District Assemblies: Land Management and Physical Planning**

Land is an important property in Ghana, and hence it evokes certain images that result in disputes. Indeed, the largest number of civil cases in the courts relates to land. All government lands are acquired lands, while others are classified as stool (chieftaincy) lands. All state lands (for agriculture and residential purposes), however, are vested in the President of Ghana. The administration of state lands is vested in the Commissioner of Lands, who can authorise their use for either agriculture or residential purposes. On the other hand, the administration, management and use of stool lands are vested in traditional authorities, which have the right to dispose of them. Factions of the royal family are sometimes created over claims to land. Under certain circumstances, the state can acquire stool lands and pay compensation to the appropriate traditional authority.

The 1993 Local Government Act empowers the DAs to acquire land or buildings in their districts or outside them in the discharge of their obligations. Where a parcel of land is required by a DA, but there is a hindrance to its acquisition, the central government can acquire the land on behalf of the DA. The title is transferred to the DA after it has refunded to the government the amount of expenses and compensation.

### ***6.7.1 Constraints in relation to land management, land-use and land registration***

A number of constraints can be identified with land administration in Ghana. They include the following:

- Land ownership is fragmented, which makes it difficult for the Lands Commission, Land Valuation Board and Survey Departments to monitor the allocation and use of land;
- Because of the fragmentation of ownership, there is lack of transparency and clear identification with respect to who owns what and who may change the land use;
- District Assemblies do not own land as of right.

### ***6.7.2 Constraints in relation to physical planning and handling of applications for construction and infrastructure investments***

The constraints include:

- The DAs and the Department of Town and Country Planning do not have the capacity to control the construction of building in their areas. Building byelaws enacted have not been obeyed.
- The weak calibre of staff at the disposal of the DAs has made it impossible to control land development and building. Apart from AMA, the other five districts do not have a registered architect, engineer or architectural draughtsman.
- It takes between one and two years for DAs to issue building permits. The result is that developers rush to construct structures without the approved authorisation and specifications; some buildings are constructed on areas earmarked for waterways, roads and electricity high-tension lines.
- DAs have shown timidity in removing, altering and pulling down unauthorised structures of owners, occupiers and developers.
- The Lands Commission, Lands Valuation Board, Survey Department and Land Title Registry - the state agencies responsible for land demarcation and allocation - have performed poorly, leading to an upsurge of land litigation in the courts. Because of the land litigation, factions have employed “land guards” to protect their land, resulting in fatal clashes between the factions.
- The long delay of the courts in pronouncing judgement on land disputes has exacerbated the activities of “land guards” and people taking the law into their hands.

### ***6.7.3 Constraints in relation to national investment requirements***

There are few constraints to the use of land for national investment by the state. The history of the country shows that where government needs to acquire stool land for public use, government issues legislation on the land by taking it over and paying compensation to the owners. There are, however, two major constraints in this area:

- Compensation paid by government has generally tended to be too small. The market value of the land is not taken into consideration by the government.
- Government’s inability to develop land it has taken over has led to the existence of squatters, who put up unauthorised structures, thereby leading to slum areas. AMA has had to pull down certain structures that were built illegally on government-acquired land.

### ***6.7.4 Constraints in relation to issuing of concession rights concerning ISP***

Land concession rights have been given in the area of distribution of water. Transmission line passage for water and electricity has been granted.

Notwithstanding this, the major constraint is that the formal (Lands Commission and Land Title Registry) and informal institutions (family and clan heads and traditional councils) have made the acquisition of concession rights difficult and cumbersome. This is the result of overlapping functions and the many institutions involved in land administration.

## **6.8 Constraints concerning external finance of District Assemblies**

As indicated above, the DAs are empowered to borrow funds under the Local Government Act. The property and revenues of DAs can legally be used as collateral for such loans. However, in practice, commercial lending institutions are not willing to lend to the DAs because they are considered as poor credit risks. The financial credit-worthiness of the sample districts, as shown by the Auditor General's Report, is in doubt. They have all had debit balance. If the efficiency gains that can result from disciplined borrowing in the market are to accrue to the DAs, a number of conditions would need to be met. Such conditions include:

- Government guarantees may be given for financing selected DA capital projects, with initial focus on revenue-generating projects.
- DAs should meet project selection criteria jointly established by government and the DAs, which would encourage efficient use of resources and cost recovery.
- DAs should prepare medium development plans clearly identifying their investments and funding priorities.

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## **CHAPTER SEVEN**

### **INSTITUTIONAL ENVIRONMENT**

#### **7.0 Introduction**

The objective of this Chapter is to analyse the institutional environment and its relation to fiscal decentralisation. It examines the potentials and constraints that characterise the capacity of DAs as well as the policies, initiatives and management of socio-economic activities that affect their operations. This Chapter also analyses the capacity of sub-national governments to mobilise and utilise the requisite human resources to effectively fulfil socio-economic development of their areas.

#### **7.1 General issues in relation to potentials and constraints concerning sub-national government initiative and management**

##### **Legal and administrative constraints on the capacity of sub-national governments to mobilise human resources**

District Assemblies (DAs) do not have the legal power of hiring and firing except for very low-level menial jobs. The Office of the Head of Civil Service (OHCS) has the primary responsibility for doing this on behalf of all DAs, whose staff are currently part of the civil service. In addition, the central government is responsible for paying emoluments of the staff. In principle, DAs can hire and fire if they can pay emoluments from their own resources, but because many of them cannot afford to pay the emoluments involved, they are constrained to hire and fire. Thus, in real terms, they depend on the central government for staff compliments.

Currently, there is a freeze on all appointments. To recruit, a district would have to produce a manpower ceiling certificate from the Management Services Division of the OHCS. The certificate has been in existence since 1987 when the civil service started implementing a policy of downsizing. The objective of the ceiling certificate is to keep the bureaucracy from becoming bloated. Upon receipt of a certificate, approval to hire is sought from OHCS. When approval is given, the DA in question then seeks financial authorisation from the Ministry of Finance, and this could take years. Even where approval is given, the appointee may be posted to the district that made the initial request. The manpower ceiling certificate is not only a formal procedure; in substantive terms, it has acted to constrain DAs from recruiting personnel even when vacancies exist. It not only hobbles human resource management but also training programmes that have implications for manpower ceiling. DAs are also unable to introduce incentives to attract scarce technical skills for improved productivity, as they lack authority and the power of the purse to do so.

Currently there are 22 line departments in the DAs. These are the Ghana Education Service, Ghana Library Board, Information Services Department, Department of Social Welfare, Department of Community Development, Department of Town and Country Planning, Ghana Highways Authority, Public Works Department, Department of Parks and Gardens, Department of Rural Housing and Cottage Industries, Statistical Service,

Births and Deaths Registry, Department of Forestry, Controller and Accountant-General's Department, Office of the District Medical Officer of Health, Department of Feeder Roads, Fire Service, Department of Animal Health and Production, Department of Fisheries, Department of Agricultural Extension Services, Department of Crops Services and Department of Agricultural Engineering. These are local offices of central government departments, which are part of the civil service, with headquarters in Accra. These departments, therefore, receive their budget and handle issues of hiring, firing, sanctions and rewards by reference to the authority of their headquarters. They are agencies that have operated over the years as central government organs providing technical services in the districts of the country.

With the passage toward decentralisation, it has been proposed that these agencies would be integrated into the DAs as an integral and bona fide part. However, this is yet to materialise. The inability to integrate the 22 line departments and agencies into the authoritative and organisational structure of the DAs has caused their national and regional headquarters to win their loyalty and commitment, as the latter control and manage the policies which directly affect them with respect to staffing, transfer, promotion, dismissal and remuneration. These institutional bottlenecks constrain the capacity of DAs to mobilise human resources, as they do not control the line department officials who provide crucial technical services.

DAs, because they have minimal control over critical staff, are reluctant to assume responsibility for the capacity building and training of staff. The fear is that when funds are used in training of staff, they could be transferred elsewhere, and DAs lack the power to halt this.

The non-commitment of some central government politicians and bureaucrats to the policy of decentralisation, for fear of losing power, also affects the capacity of DAs to efficiently respond and manage the needs of their communities. There is thus opposition from some civil servants to the establishment of a Local Government Service and decentralised financial administration. The government is also reluctant to make the position of the District Chief Executive elective and to introduce multiparty politics at the district level.

There are blurred lines of responsibility and accountability in respect of the co-ordinating role of the Regional Co-ordinating and Council (RCC), the Ministry of Finance and the MLGRD on issues pertaining to financial allocations, recruitment and service delivery. The RCC has the first line function to monitor, evaluate and ensure that finances, projects and development plans meet the accountability, transparency and managerial expectations of the central government. As such, it could intervene in the activities carried out by the DAs. The Ministry of Finance, on the other hand, can intervene in relation to aspects of financial and accounting systems, as it has the overall authority in matters of this kind in the country. The MLGRD is the parent ministry of the DAs, and, as such, it has supervisory, monitoring and indeed overriding powers over the DAs in aspects of its functions and activities.

Managerial styles in some DAs stifle empowerment of middle level bureaucratic staff and do not encourage entrepreneurship, whilst delegation of authority and decision making is less of a norm in the administrative culture of DAs.

The non-availability of qualified personnel to man positions, particularly in the financial, planning and budgetary sections, due to comparatively unattractive incentives and the inability to hire and fire are real legal and administrative constraints on the capacity of DAs to mobilise human resources for effective socio-economic development

Some officials flatly refuse to take up employment in rural DAs, and this does not attract sanctions. On the other hand, officials who respond positively to working in deprived areas cannot be given added incentives by the DAs to retain them.

A major disincentive in attracting expertise is the lack of basic logistics (like stationery, furniture and typewriters), basic social amenities (like schools, electricity, hospitals and potable water) and adequate infrastructure development (like accessible roads and communications) in a number of DAs. Officials prefer urban-based DAs, which tend to have these. When one considers that most of the DAs are in the category that lacks these amenities, then problems in attracting the requisite manpower, which is already scarce in technical services in particular, becomes clear. Lack of residential and office accommodation for officials at the DA level also acts as a disincentive to accept and stay on the job.

Finally, it has to be borne in mind that many of the DAs are newly created entities and lack experience, managerial know-how, infrastructure and finance to enable them effectively meet the needs of their communities.

### **Supply side analysis**

The Local Government Act 1993 (ACT 462) grants DAs the power to raise loans or obtain overdrafts within Ghana from private sources if the amount does not exceed 20 million. Where it is in excess of this, the approval of the Ministry of Finance has to be given. In principle, then, DAs can borrow, but, in practice, this hardly obtains. A major implication of this financial restriction has been that DAs' finances have been defined and confined to the allocation made through public finance. Access to private finance and service providers is therefore limited. However, it is known that, with the introduction of the District Assembly Common Fund, the creditworthiness of DAs has improved tremendously. This has enabled them to strike informal arrangements with banks to lend them finances, with the common fund allocation serving as security. Of late, Accra has also been experiencing a boom in private lending, particularly in the area of joint business ventures.

The contracting out of basic services - like public toilets and baths, refuse collection, sweeping of roads, the construction and maintenance of drains, etc. - to private service providers is increasingly becoming part of the administrative culture in urban areas. Attempts to introduce this in rural areas are having teething problems that are the result of rural poverty, which induces resistance to pay user charges.

Access to bulk service and utility supplies is, in the main, from public agencies. In the provision of utilities, a positive development is the setting up of the Public Utilities Regulatory Commission (PURC). The establishment of this body has enabled utilities,

especially electricity and water supply, to edge towards economic pricing. As a result, private supply of electricity has already taken off and that of urban water supply is in process.

The provision of private services, in the form of supplies of basic stationery and other items, is taking place. On a relatively larger scale, private contractors are used to execute projects. In this regard, DAs are obliged to establish District Tender Boards and can award and effect payment for civil contract works to the value of \$100,000 and road construction works valued at \$200,000. A district Tender Board is composed of:

- the Presiding Member of the District Assembly;
- the Chairman of the Works Sub-Committee of the Executive Committee of the Assembly;
- the Chairman of the Finance Committee of the Assembly;
- the District Engineer;
- the Head of the District Planning Co-ordinating Unit; and
- one Member of Parliament who is a member of the District Assembly under the Local Government Act, 1993 (ACT 462). But, where there is more than one member of Parliament from constituencies within the area of authority of the District Assembly, the members shall elect one member to serve on the District Tender Board.

The District Tender Boards have traditionally been dominated by the District Chief Executive. In the case of Kumasi Metropolitan Assembly for instance, the Assembly members have accused the Chief Executive of not following the approved procedure. The government is also on record to have sanctioned some District Chief Executives for not respecting the award and execution of contracts.

### **Capacity to Innovate**

A number of strategic factors are favourable to the capacity of DAs to innovate. This section presents an analysis of such factors. It should be pointed out, however, that much as these have been observed to favour the capacity of DAs to innovate, they have not necessarily been fully used to advantage.

- Politically DAs fall under a strategic ministry of cabinet rank. The politicians and bureaucrats presently at the MLGRD are the architects of the current decentralisation policy. Therefore, there is commitment, enthusiasm and a good grasp of the terrain that the policy has already charted and envisaged. The MLGRD is viewed as a super-ministry because its broad functions enjoin it to supervise other ministries that have operating departments at the district level. The minister has the ear of the President, and he is a very influential member of the cabinet. This has enabled legislation such as the composite budget to pass even before its practical implementation had been thought out. Indeed some regional ministers and district chief executives view the minister as their minister.
- DAs enjoy political support at the highest level, as DAs are the arms by which the government aims to reach all parts of the country and to control and direct the affairs of the state. Besides, the government

derives its support, in the main, from the rural populace. This encourages the government to cultivate their support through the DAs. Rural based DAs not only constitute the stronghold constituency of the party in government, but they also through the strategic position of the DCE strengthen the hand of the government in its quest for legitimacy, given the military basis of power with which the government first launched itself onto the political scene.

- Local participation and decentralisation as a policy has legitimacy in the populace and political parties. The infrastructure benefits of roads, electricity, potable water, etc. in the rural areas have endeared the policy of decentralisation to rural folks.
- The liberalised macro-economic environment has support in the wider public and provides an enabling environment in support of capacity building in DAs. In this respect and particularly in Accra, one has observed a growing partnership between private entrepreneurs and the DAs to provide improved services to the populace.
- The establishment of a Stock Exchange, which could provide both debt and equity financing for DAs, provides an untapped opportunity to exploit the benefits of capital markets.
- Donor agencies provide resources in support of decentralisation; as such, it is common to find bilateral and multilateral donor agencies working in support of decentralisation by assisting in the provision of both funds and community development projects.
- The existence of the National Association of Local Authorities in Ghana (NALAG) could be viewed as a positive sign. However, our findings from the field show that it is perceived by DAs as a ‘toothless bulldog’. This is because it cannot take a fight with the government as an autonomous interest group serving the singular interest of DAs and has thus lost the authority to function effectively on behalf of all DAs. In this regard, it came out from the field studies that, but for the fact that government deducts the financial contribution of DAs to NALAG at source, the DAs would have hesitated in meeting this obligation.

### **Institutional Factors Mitigating Against Capacity to Innovate**

Whilst it has been observed above that a number of strategic factors favour the capacity of DAs to innovate, other factors also impede the capacity of DAs to innovate. This section looks at such institutional factors mitigating against the capacity of DAs to innovate.

The following factors should be highlighted:

- There is a degree of inter-ministerial conflict: some sector ministries want budgetary allocations for work at the DAs to be made through them, while the MLGRD wants an allocation system whereby funds go

through Assemblies and then to the decentralised departments operating at the district level.

- Ministries of Health and Education, Fire and Police and the Forestry Department have adopted an organisational structure that has hived them off from the civil service to form ‘services’. This enables them to operate at the district level and yet not be part of the DAs. Not only is this in conflict with decentralisation legislation, but decentralisation in these sectors, in terms of the DAs controlling the departments or absorbing them, has been ruled out in effect. This trend does not seem to be abating.
- There is a prevailing attitude of dependence on the state for the provision of welfare, which came to be associated with the post-colonial policy of state intervention in the production, distribution and management of services. This has created the attitude that the state must provide services free of cost. This has created hostility towards the application of market forces and, for that matter, private sector intervention as a policy instrument for productive investment and economic growth. This attitude, therefore, has not been favourable to the introduction of cost recovery, cost sharing and commercialisation of services.
- Informal exchange, with its attendant under-developed market orientation and high transaction costs, is dominant. The implication of this is that not only do actors shun formal contractual relations, but also the DAs – because of the dominance of informal transactions - are constrained from mobilising capacity. This situation, in particular, undermines the information base and capacity of DAs for effective decision-making.
- Government anti-business rhetoric and the perception that it discriminates against businessmen perceived to be in opposition to the government (and, by the same token, the perception that pro-government entrepreneurs are favoured in the award of contracts by DAs) may be barriers to the capacity to innovate by competitive venture entrepreneurs.
- Low wages and widespread poverty curtail patronage of privatised market based services. This has become known as the politics of “affordability”.
- There is a lack of quality staff with requisite expertise and competence, and there are legal and fiscal constraints that inhibit DAs’ access to specialist expertise. These factors hinder the DAs’ abilities to address the needs of the populace and thereby win legitimacy from the larger populace. Thus, although the planning function is essential in the Districts, there is difficulty in keeping experienced staff in remote areas. Because of the shortage of planning officers, many DAs rely on

consultants to prepare their plans for them. These plans tend to be over-ambitious and may not reflect local priorities.

- There remains a mismatch between the transfer of power and the transfer of resources. Again, in relation to manpower resources, there are problems associated with some Ministries having staff at the District level and yet serving more than one District, so that their contribution to a specific district cannot be stated accurately.
- There have been problems in recruiting suitable and well-educated candidates to stand for elections as assemblymen. The positions are honorary, and as new social positions, they do not currently command local high status and prestige.
- The DAs are unable to integrate decentralised departments, and they lack the power to fire and hire.
- Lack of logistics and equipment is a constraint. The problem of transport is particularly acute in a number of DAs.
- Financial constraints exist, in the form of the over-dependence on central government revenue, the failure to come up with innovative approaches to revenue generation and the reluctance to decentralise the national recurrent budget.
- There is a lack of political will to pursue vigorous cost recovery, cost sharing and commercialisation of services. This is linked to the issue of affordability, which has been discussed under section 5.4 of the report. Nevertheless, as demonstrated by all the sample districts, the approach of passing on costs to consumers of services is now gaining ground, and the population at large is gradually but hesitantly accepting this. This has been introduced in the area of urban water supply, electricity supply, education, public toilets and sanitation.
- Corrupt practices exist, which give officials of DAs incentives to line their private pockets out of public finances rather than engage in productive and innovative measures for local capacity. In the Kumasi Metropolitan Assembly, some concerned citizens have petitioned the Serious Fraud Office of the state to investigate alleged abuse of power and funds by the Chief Executive. The Regional Minister, in a similar vein, recently voiced his disquiet about how the construction of the City's Assembly Hall (among other projects) is funded and managed in the metropolis. Reports of the Auditor-General are also replete with financial malpractice in many DAs.

Review of samples local authorities in relation to levels of service populations, infrastructure maintenance responsibilities, revenue basis, authorise staff establishment and technical and managerial capacity.

#### **Accra Metropolitan Assembly (AMA)**

Recruitment is mainly done by OHCS, and it is thus affected by the ban to engage

personnel. It also has to contend with various directives from the MLGRD. In some cases, however, it has the right to hire and fire. Our attention was drawn to a situation where AMA trained a number of computer staff at its own expense, but these were transferred to other local authorities. Again, it is a normal practice for senior staff at AMA to be seconded from other central government agencies; in this respect, these agencies have the tendency to recall the seconded staff without prior consultation, especially those associated with the Ministries of Health and Education. Not only do such actions on the part of the departments create problems of integration, this tendency also does not encourage AMA to make any meaningful efforts to integrate the decentralised departments into its fold because these departments do not extend full loyalty and commitment to AMA.

The boundaries between the AMA and Ga Rural are not clear and it is not possible to catch the people around the boundaries into the net of taxes, levies and fees of the AMA. On the other hand, AMA has been receiving a diminishing proportion of the Common Fund, and it has been accused by the MLGRD of not doing enough to collect potential revenue. In its defence, AMA claims that because of improper co-ordination of public activities in Accra, especially in the installation and maintenance of infrastructure, lapses occur, and yet it is blamed for the failures of other central government institutions.

AMA has access to private finance and service providers. Plans are currently far advanced to borrow from a local bank in the billions to build lorry parks and parking lots to generate revenue. In so doing, however, AMA will have to seek approval from the MLGRD and the Ministry of Finance, and this is normally granted.

AMA is also reported to have the capacity to improve management in respect of private/public partnerships, contracting out and commercialisation. The essence of this is

pendent.

In many respects, AMA has the capacity to attract manpower resources. Being the national capital, with good amenities and infrastructure, it offers an attractive place to work. AMA spends over 40 million cedis a year as salaries for essential skilled labour like planners and legal officers. Experienced retired personnel are also employed on contract basis.

### **Cape Coast Municipal Assembly**

The Assembly does not have the power to hire and fire, as this is done by the OHCS. However, Cape Coast is endowed with a well-qualified staff, as its relatively urban character enables it to attract personnel. The Assembly has an investment officer to promote investment. The Planning department of the district has official links with the Ghana Museums and Monuments Board as well as the Ghana Tourist Board with the view to promoting tourism. Cape Coast has become the centre for the celebration of the annual national Pan African Festival (PANAFEST). For this purpose, the district is allowed to borrow money, and a major creditor is the Central Regional Development Company (CEDECOM).

The departments in the district are not integrated into its authority structure, nor does the district control their funds. The departments prefer to deal with their parent body in Accra. Heads of departments, at best, attend meetings but refer everything to Accra before acting. Moreover, the Assembly spends money on education and health related issues, but all revenues accruing to these go to the parent bodies of these departments, which are outside the DA.

The Assembly boasts of a few computers, which are used for routine office work. Land litigation is rife in the district and is a big concern for the Assembly. The Assembly shares data on land use with the Lands Commission, Town and Country Planning and Land Title Registry. To arrest the numerous land litigations, the Assembly plans to establish land banks.

Staff training is not being encouraged because of lack of funds.

### **West Dagomba District Assembly**

The West Dagomba District Assembly has been crippled in its administration because of rancour between the Chief of Tamale and his subjects, on one side, and the District Chief Executive, on the other. Government had to intervene by appointing a new DCE on February 10, 1999.

The Assembly suffers from the lack of staff with the requisite qualifications, and this has affected its capacity. Like other districts, it lacks the power to hire and fire, and this seriously affects its capacity to be effective and productive. There is the case of a Computer Analyst whose services the Assembly urgently needed. The Assembly, therefore, took the initiative to employ him and informed the Ministry of Finance to provide money for his emoluments. For more than a year, the Ministry has not responded to this request, and the Assembly has been forced to pay the official from its own coffers.

There is a high level of ignorance and illiteracy among the people. Diseases and environmental health problems abound in the district. The district has just come out of an ethnic conflict that has left the people suspicious of each other and that has affected the political stability of administration.

There are large tracts of unused land, and acquisition of land in this district does not pose many problems. The Chiefs and people are particularly receptive to land acquired for educational and health facilities.

Revenue mobilisation in the district is dismal, as people are reluctant to pay even basic rates, and government is viewed as very remote. In view of the level of ignorance of the people towards civic duties, the district has uphill task mobilising revenue.

The Assembly has discussed aspects of contracting out and is considering divesting itself of public toilets to unit committees. Otherwise, private contractors are involved in projects such as schools, roads, public toilets and drain construction. The Assembly also hires out septic emptiers to private contractors as a way to generate revenue.

#### **Suhum-Kraboia-Coaltar District Assembly**

The District Assembly has no power to hire and fire staff; the OHCS is solely responsible. We learned that the District Assembly attempted to engage the services of a technical engineer and forwarded his papers to the OHCS for approval. The OHCS went ahead to engage the engineer but posted him to another district.

The staff of the District Assembly complained that they have not had the opportunity to pursue systematic training for a long time. The motivation of the workforce is very low, particularly from the point of view of remuneration.

The District Assembly does not have a single computer in its offices. All secretarial jobs are done on manual typewriters, and the District archive is not in good shape.

We were informed in the field that the MLGRD interferes and transfers projects to the District without the necessary financial support. Thus, the District Assembly is forced to suspend the implementation of its own projects to deal with central government directed projects like the Agricultural Sector Implementation Programme (ASIP). In this respect, it must be noted that MLGRD has an overriding power over the DAs. Party political activities also eat into the coffers of the District. It accommodates, feeds and fuels the vehicles of party political appointees who come to the district, including the activities of the 31<sup>st</sup> December Women's Movement. All these affect the District's ability to discharge its laid down projects.

The District Assembly has no access to private finance. However, NGOs like World Vision are helping in the provision of educational facilities and potable water.

The District Assembly has contracted out the operations of public toilets to a management committee. The committee is solely responsible for the running of the toilets and is obliged to pay a certain amount of money to the Assembly every month. The newly sworn-in Assembly is, however, of the view that the running of the public toilets should be handed over to the Unit Committees so that profits from the operations of the toilets

can benefit the community instead of making certain individuals rich.

### **Tano District Assembly**

Like other DAs, the Tano District Assembly does not have the power to hire and fire; it depends on the OHCS for manpower capacity and development. However, it is noteworthy that the district has two planning officers and a budget officer, as this compares favourably to larger and more endowed districts. It nevertheless has severe capacity problems in operating ISP related functions. A clear example is the district's inability to deal with the management of refuse dumps in Bechem that represent a severe environmental hazard.

The district has taken initiative to undertake investments to supplement its revenue. It has acquired tractors, which it hires out to farmers at commercial rates. It also runs a fleet of cargo vehicles and a bus on commercial lines. The Assembly, in its investment drive, has bought 20,000 shares in the Ghana Commercial Bank, the biggest bank in the country.

The Assembly has benefited from a computer donated by the European Union, but it is yet to utilise it because it waits to move to a more permanent office structure, which is under construction. In its present state, the district lacks equipment and other logistics.

The district does not appear to have problems in acquiring and using land for development. What the assembly does is to involve the communities in the determination of projects. Once the community determines the project they wish to have, they locate the land and provide labour as their contribution towards the cost of the project.

The Assembly's projects such as school buildings, supply of electricity posts and construction of markets is contracted out. Usually, this is done through the district's Tender Board.

It was revealed that in the utilisation of the Common Fund, directives were given by central government on how monies are spent. For instance, there is a directive that where Community or District Tribunals do not exist, the Assembly should make allocation for the construction of facilities to house these. It was also revealed that the Assembly supports the 31<sup>st</sup> December Women's Movement.

Workers of the Assembly were ill motivated because of low salaries and a poor working environment. They also lamented the lack of training opportunities.

### **Asante Akim North District Assembly**

The Assembly's major problem is in the area of revenue mobilisation. Our attention was drawn to the tall items of taxation that the Assembly is empowered to impose, in accordance with Section 94-119 of the Local Government Act. These include rates, fees, licenses, etc. The rates include basic rate, property rates, and sanitation rates. Fees charged by the Assembly were listed to include market tools; slaughterhouse charges; lorry parks fees; and licenses for palm wine sellers, herbalists, hawkers, etc. It was observed that Central Government retains a large proportion of taxes, depriving the

District of income. The DA is unable to predict when its ceded revenue would be released. This has made planning at the district level difficult; and this is compounded by specific directives from central government, which accompany each release of revenue, on its utilisation.

One revenue item, on which the Assembly has consistently since 1994 exceeded its estimated target, is that of property rates. For instance, in 1998, whilst the Assembly estimated 24.5 million cedis, it actually realised 34.6 million. The reason for this trend is that the Assembly had succeeded to rope in property owners who were outside its reach.

The Assembly has staffing problems. The bulk of the staff lack the requisite qualifications. Whilst the planning and budgeting units lack the requisite manpower, the general administration is staffed by non-graduate employees. There are 14 revenue staff, most of whom are not permanent staff. The collection of rates is therefore carried out by hired people whose commitment to the mission and objectives of the Assembly is doubtful. Revenue collectors counter that they are not provided with the logistical support required for the effective execution of their work, not to mention how to reach the remotest parts of the district. The Assembly is considering using the Unit Committees to locate those liable for taxation.

Specialised expertise is woefully lacking in the district. Efforts were made by the Assembly in the past to obtain expertise in areas of management, physical planning, etc. from the University of Science and Technology. However, there were serious apprehensions expressed within the Assembly on the proper utilisation and counselling from consultants.

The Assembly conceded that it is most of the time obliged to share its meagre financial and logistic resources with some NGOs operating in the district. They mentioned, in particular, the 31<sup>st</sup> December Women's Movement. It was lamented that where the Assembly's own programme coincides with those of the Movement's, the Assembly's programme is re-scheduled so that logistical support, vehicles and fuel can be made available to the movement.

The Assembly does not have the power of hiring and firing, except for menial jobs. The ability to recruit personnel is entirely based on the manpower ceiling determined exclusively by the OHCS. The Assembly does not have a training policy for its staff; for that matter, it does not make financial allocation to improve skills in its manpower. The Assembly's excuse was that of lack of funds for expressed optimism that with the recent directives in *utilisation of District Assembly Common Fund - Guidelines to District Assemblies - 1997* which now authorises the DAs to use part of the common fund for training and capacity building. The situation would be reviewed.

Officials expressed disquiet about directives originating from government sources as to how the district has to use its resources. Reference was made to the Policy for Rural Housing Improvement Assistance Scheme (RHAS), which is a programme to provide credit for accelerated Rural Housing delivery and construction of new houses. They observed that Government solely determines how funds for this project should be disbursed. Section 6.2 of the Policy instructs the DAs to '*allocate not less than 5% of*

*their share of the District Assemblies Common Fund to complement the Central Government Funds for financing of construction of access roads and drains'.*

A major constraint for the effective performance of the Assembly is the lack of office equipment needed to carry on work at the Assembly. The district has one computer (which is woefully under-utilised), but clings to the use of manual typewriters for routine secretarial duties. The Assembly has no office cabinets to store confidential records. Files are kept in drawers and on tabletops.

The management of liquid waste in the district has been contracted out by the Assembly to the private sector. The Assembly hires out its septic emptiers to private contractors, as private partners do not have adequate capacity to deal with waste disposal. Contracting out of solid waste was being considered. A visit to some of the refuse dumping grounds revealed that solid waste management in the district is a major problem and stretches beyond the resources of the Assembly. Suggestions had been made to the effect that Unit Committees should be allowed to take up part of the responsibilities associated with waste management in the district.

The issue of non-allegiance of departments to the Assembly is of great concern. Heads of departments not only refuse to identify with the aspirations of the Assembly but also fail to attend meetings to which they have been invited. They are not available when the Assembly wants technical and expert advice. They only show interest in the Assembly when they anticipate that they can benefit from funds. Nevertheless, the Assembly has supported activities such as immunisation and VAT education, which are not its direct responsibility.

The Assembly has not shown interest in access to private finance. The Assembly indicated, however, that it was studying the banking system as well as the investment climate as a basis to take a firm policy stand.

## **7.2 The sub-national government decision-making process and adaptability to local needs and conditions**

### ***7.2.1 The political level***

The DAs decision-making process and adaptability to local need and conditions spring from the 1992 Constitution, which provides a legal and structural framework for local government and decentralisation. The constitutional framework has been given expression in Local Government Act, 1993 (Act 462), which establishes DAs as political, administrative and deliberative organs.

DAs, however, have reporting responsibility to the central management agencies listed below:

#### **Ministry of Local Government and Rural Development**

It is the supervisory ministry and is responsible for the planning, programming, monitoring and evaluation of policies affecting DAs. It also issues annual guidelines on the use of the Common Fund.

### **Ministry of Finance**

It controls the fiscal policy relations as spelt out by the Financial Administration Decree (FAD) of 1979, by which all budgetary preparation and approval has to be endorsed by the ministry. The Financial Administration Regulations (FAR) of 1979 provide for all disbursements, including payment of contracts, to be made through the Office of the Controller and Accountant General. The Ministry also gives approval on matters of hiring.

### **Regional Coordinating Council**

It is responsible for co-ordinating, monitoring and evaluating the socio-economic and administrative performance of DAs. It also monitors their fiscal management including development programmes and projects undertaken with the Common Fund. In fiscal terms, it plays a policing role to ensure accountability and good management practices. In this respect, it collates and co-ordinates budgets of DAs and submits the total to the Minister of Finance, the MLGRD and the NDPC.

### **Office of the Head of the Civil Service**

It is responsible for the recruitment, selection, discipline, transfer and promotion of the administrative staff of DAs. This situation is under review, however, and a draft bill to set up a Local Government Service for DAs is before Cabinet. The policy of retrenchment vis-à-vis DAs has not been a major issue in Ghana since DAs had been rather understaffed relative to qualified staff. Retrenchment in the DAs was restricted to a few unskilled and menial jobs, but this pales into insignificance when it is compared to retrenchment in the public sector at the central government level.

### **National Development Planning Commission (NDPC)**

DAs are required to submit and to have their development plans integrated into a nation-wide plan to the NDPC.

Executive decision-making at the DAs level is effectively in the hands of the District Chief Executive (DCE) who is appointed by the President but also reports to the Regional Coordinating Council and the MLGRD. His influence is derived from chairmanship of the Executive Committee, which has at least five sub-committees and takes policy decisions and implements them in the DAs. The position is supposed to be non-partisan, but DCEs are openly partisan and operate as the arm of the central government at the DAs level.

Another position at the political level of relevance is the Presiding Member. The member is elected by both elected and appointed members of the DAs. This position has also become highly politicised, and it is widely known that the ruling government and opposition parties all make considerable effort to have their man in that position. Representing the legislative arm at the DAs, the position is critical in the decision-making process through its role to deliberate on and approve executive policies.

It may be pertinent to add that most of the elected DA members have an educational background up to secondary level, and this has contributed to low capacity in the decision-making process. The Local Government Act, 1993 (Act 462) recognised this by giving the government the power to appoint 30% of the members of the DAs with

requisite experience and proven capacity. Unfortunately, this has been politicised, and loyalty to the government now appears to carry more weight than proven competence and expertise.

Language barriers also tend to constrain the efficiency and effective participation of Assemblymen and women in the decision-making processes of the DAs. Although some DAs have adopted the local language in addition to the English language, communication is hampered when, for one reason or the other, it becomes necessary for Assemblymen and women to express themselves in English. On the other hand, when they are allowed to speak in vernacular, the recorders, who in some cases do not understand the local language, are also at a loss.

It is also not uncommon to hear of conflict between the Members of Parliament, DCEs and Presiding Members. Conflicts among the latter are less frequent because, as pointed out, the government has become sensitive to the appointment of Presiding Members by seeking to fill these positions with loyal agents. On the other hand, relationships with parliamentarians tend to be strained. The reason has to do with the DCEs having the status of appointed officials and yet having decision-making power over the elected officials. There is, therefore, the question of who the true representative of the people is and who is not. The result is the flexing of muscles in certain areas, to the detriment of development.

### *7.2.2 The Management Level*

The management of DAs has the District Coordinating Director, who is appointed by central agencies, the Public Services Commission and Office of the Head of the Civil Service (OHCS), as the hub of the managerial level. The OHCS is responsible for assigning administrative officers, secretarial and executive officers. These officials, whose appointment and control lie outside the authority of the DAs, constitute the staff of the administration.

Outside the administration are twenty-two decentralised departments and agencies. These provide, in the main, technical services at the level of DAs. These bodies are also appointed and controlled from their headquarters in Accra. Officials defy the authority of DAs and rather extend loyalty to headquarters. In fiscal terms, their budgets are determined from headquarters and DAs have very little control over their budgets.

Because they are unable to hire and fire, DAs have severe capacity problems, as they are unable to provide incentives to attract people with the right calibre of expertise and knowledge. In particular, there is an acute shortage of well-qualified financial and accounting personnel.

Crippling effective management is the freeze on employing personnel and the long bureaucratic processes that have to be passed even when approval to hire is given.

It should be added that as part of civil service reform an Institute of Local Government Studies has been proposed to provide training with the view to enhancing the capacity of DAs personnel.

### **7.3 Issues Concerning Managerial Capacity**

The task of strengthening managerial and technical capacity of DAs is critical and central to effective fiscal decentralisation. The enormity of this task becomes clearer when we realise the fact that 45 new districts were created and thus started off without an existing managerial and technical capacity of their own. In addition, the government also acknowledged that technical and managerial capacity of the already existing 65 districts left much to be desired. The government further noted that not all the 22 decentralised departments existed in the old districts, not to mention their complete absence in the new districts. To make matters worse, as the government noted, even where the departments existed, they were characterised by very poor quality of staff. It is against this background that the issue of managerial and technical capacity should be viewed. This section therefore attempts to document the factors that constrain managerial capacity.

#### **Constraints to Managerial Capacity**

Having regard to this context, several constraints that act against managerial capacity have been observed. This section examines these constraining factors.

There is a general non-availability of qualified personnel to man certain portfolios, particularly in the financial, planning and budgeting sections. Added to this, there is a shortage and lack of office and residential accommodation for technical and administrative personnel who want to take up jobs in the DAs. Managerial capacity, as a problem in the DAs, is compounded because of the unwillingness of some personnel to take up employment with the DAs.

Of the few with managerial skill, there is lack of job satisfaction because of low remuneration and inhospitable working conditions. Furthermore, working in the DAs has a low social status as compared to other vocations, particularly for those with higher qualifications and much sought-after skills and competence. Managerial capacity is even more acute because the DAs lack the legal authority to adapt the number and qualifications of staff, relevant for different managerial and technical functions, who could make the difference in the provision of services. This constraint in capacity includes the right to hire and fire.

In the face of the unattractive nature of working for the DAs, the technical and administrative staffs tend to have poor or low educational qualifications; this undermines managerial capacity. This is particularly the case in deprived rural areas. In the cities, managerial capacity abounds, but the DAs are not competitive employers in relation to conditions of service. Measures to support managerial capacity are also arrested, as the DAs lack the power to provide their own peculiar incentives to induce acceptance to 'hardship' or socio-economically deprived areas, which, by their very nature, are not attractive to people with the requisite skills. Lack of infrastructure, logistics and facilities like health centres, education, accessible roads and means of transport and communication also deter the acceptance and retention of qualified personnel.

The dearth of skilled personnel, unproductive attitude to work and inadequate exposure to the requisite managerial methods and information technology all combine to impede managerial capacity.

Finally, there is an absence of a unified scheme of service for occupational categories, as each relates to what pertains at the headquarters. This is unhealthy: it creates an unequal incentive structure and undermines the commitment of occupational categories to the DAs, as the latter cannot compete with the department.

### ***7.3.1 Potential and capabilities of sub-national governments to attract manpower resources***

The ability of DAs to attract manpower resources is hampered by their lack of power to hire and fire. It is important however, to bear in mind that since the departments and agencies related to most ISPs lie outside the authoritative domain of DAs, the potential of the latter to harness specialist expertise that may assist them in identifying innovative management approaches and to attract manpower resources is hamstrung. Similarly, except for modest gains in Accra, access to private finance and service providers and utility suppliers is curtailed. As pointed out above, rules concerning administrative and other staff establishment by civil service provisions that restrict hiring and firing do not help attract manpower resources and specialist expertise, in particular.

### ***7.3.2 Sub-national staff inventory***

#### **Suhum-Krabo-Coaltar District Assembly**

- Number of Inhabitants 107,972 (1984)
- Total Staff at Post 109
- DA pays only Revenue Class, Environ. Health Div., Watchmen and Sanitary. Others paid by Central Government

	<b>Establishment Schedule</b>		
Admin. Class	2	1	3
Executive Class	2	1	6
Clerical Class	1	-	1
Secretariat	2	2	4
Dev't Planning	2	-	2
Budget Analyst	1	1	2
Inspectorate Class	1	-	2
Revenue Class	28	-	28
Stores and Supply	1	-	1
Works Section	12	-	12
Environ. Health Div.	28	-	28
Watchmen	5	1	6
Heavy Duty Operators	2	-	2
Drivers	4	4	7
Auto Mechanics	1	-	1
Sanitary	14	-	14

#### **Accra Metropolitan Assembly**

- Number of Inhabitants: 1,014,879 (1984)
- Total Staff at Post 2,350
- AMA's Own Payroll Personnel 1,033
- Personnel Paid by Controller and Accountant General 1,317

**Staff Inventory**  
**Administration - Head Office**

<i>Metro Coord. Director</i>	<u>1</u>
<u>Deputy Director</u>	<u>1</u>
<u>Assist. Directors</u>	<u>18</u>
<u>Assist. Chief Executive Officers</u>	<u>2</u>
<u>Principal Executive Officers</u>	<u>1</u>
<u>Senior Executive Officers</u>	<u>2</u>
<u>Higher Executive Officers</u>	<u>3</u>
<u>Executive Officers</u>	<u>18</u>
<u>Clerical Officers</u>	<u>2</u>
<u>Steno. Secretaries</u>	<u>5</u>
<u>Typists</u>	<u>27</u>
<u>Stores</u>	<u>8</u>
<u>Telephone Operators</u>	<u>9</u>

**Sub-Metropolitan and Department Staff**

<u>Administration</u>	<u>96</u>
<u>Management Info. Service</u>	<u>13</u>
<u>Treasury</u>	<u>48</u>
<u>Task Force</u>	<u>1</u>
<u>Budget</u>	<u>3</u>
<u>Legal</u>	<u>5</u>
<u>Kpeshie Sub-metro</u>	<u>57</u>
<u>Transport</u>	<u>64</u>
<u>Public Health</u>	<u>46</u>
<u>Metro Works Engineers</u>	<u>22</u>
<u>Security</u>	<u>87</u>
<u>Ayawaso Sub-metro</u>	<u>32</u>
<u>Okaikoi Sub-metro</u>	<u>40</u>
<u>Ablekuma Sub-metro</u>	<u>79</u>
<u>Ashiedu Keteke Sub-metro</u>	<u>46</u>
<u>Waste Management</u>	<u>117</u>
<u>Metro Roads</u>	<u>132</u>
<u>Traffic/Parking Unit</u>	<u>38</u>
<u>Osu-Klotey Sub-metro</u>	

**Dagomba Mu**

- West Dagomba Municipal Assembly
- Number of Inhabitants 150,072 (1984)
- Total Staff at Post 304
- DA pays only Environ Health Inspectors, Sanitation, Solid Waste Mgt and others. Rest paid by Central Government.

#### Staff Inventory

<u>Director</u>	<u>1</u>
<u>Exec. Officers</u>	<u>3</u>
<u>Typists</u>	<u>4</u>
<u>Telegraphist</u>	<u>1</u>
<u>Sanitation</u>	<u>107</u>
<u>Drivers</u>	<u>20</u>

#### Cape Coast Municipal Assembly

- Number of Inhabitants 86,620 (1984)
- Total Staff at Post 130
- DA pays only Revenue Collectors, Solid Waste Mgt., Cleaner and Security. Rest paid by Central Government

#### Staff Inventory

<u>Director</u>	<u>1</u>
<u>Senior Exec. Officers</u>	<u>2</u>
<u>Higher Exec. Officers</u>	<u>3</u>
<u>Principal Exec. Officer</u>	<u>1</u>
<u>Typist Gd I</u>	<u>2</u>
<u>Typist Gd II</u>	<u>2</u>
<u>Budget Officer</u>	<u>1</u>
<u>Investment Promotion Officer</u>	<u>1</u>
<u>Mechanical Engineer</u>	<u>1</u>
<u>Civil Engineer</u>	<u>1</u>
<u>Technical Officer</u>	<u>1</u>
<u>Messengers</u>	<u>2</u>
<u>Cleaner</u>	<u>1</u>
<u>Principal Local Govt. Inspector</u>	<u>1</u>
<u>Telephonist</u>	<u>2</u>
<u>Revenue Collectors</u>	<u>28</u>
<u>Health</u>	<u>14</u>
<u>Sanitation</u>	<u>41</u>
<u>Solid Waste Management</u>	<u>2</u>

<u>Drivers</u>	<u>4</u>
<u>Security (Municipal Guards)</u>	<u>19</u>

### Asante Akim North District Assembly

- Number of Inhabitants 89,227 (1984)
- Total Staff at Post 107
- DA pays only Revenue staff, Environ. staff and security. Balance paid by Central Government

#### **Administration - Head Office**

<u>General Administration</u>	<u>17</u>	<u>2</u>
<u>Revenue Staff</u>	<u>14</u>	<u>1</u>
<u>Works</u>	<u>10</u>	<u>1</u>
<u>Environmental Staff</u>	<u>47</u>	<u>3</u>
<u>Security</u>	<u>7</u>	<u>1</u>
<u>Accounts</u>	<u>10</u>	-
<u>Planning and Budgeting Unit</u>	<u>2</u>	-

### Tano District Assembly

- Number of Inhabitants 92,752 (1984)
- Total Staff at Post 241
- DA pays only Revenue Officials, Labourers, Scavengers, Environmental and Security. Rest paid by Central Government.

#### **Administration - Head Office**

<u>General Administration</u>	<u>23</u>	<u>2</u>
<u>Planning &amp; Budget Officers</u>	<u>3</u>	<u>1</u>
<u>Accounting Staff</u>	<u>2</u>	<u>2</u>
<u>Revenue Officials</u>	<u>29</u>	-
<u>Works</u>	<u>3</u>	<u>2</u>
<u>Labourers</u>	<u>12</u>	-
<u>Scavengers</u>	<u>38</u>	-
<u>Security</u>	<u>1</u>	<u>2</u>
<u>Environmental</u>	<u>18</u>	-

### ***7.3.3 Rules concerning administrative and other staff established by Civil Service provisions***

Currently, there is a freeze on all appointments to prevent the civil service from becoming bloated again. As a policy, this is in keeping with the World Bank's condition to downsize the civil service. To recruit, a DA has to produce a manpower ceiling certificate issued by the Management Services Division (MSD) of the Office of the Head of Civil Service (OHCS). The MSD is the office of rationalisation and as such is equipped with a scientific basis for undertaking manpower analysis. When the certifi-

cate has been issued, approval to hire is sought from the OHCS, after which the DA in question will then have to seek financial authorisation from the Ministry of Finance; this step could take years. As pointed out above, even where approval is given, the appointee may be posted to a location other than the DA that made the initial request. In effect, besides indicating vacancies and the need to fill these, DAs have virtually no hand in the actual recruitment and selection processes of critical manpower resources affecting them. DAs are also unable to introduce incentives to attract scarce technical skills to improve productivity, as they lack authority and the power of the purse to do so.

### **7.3.4 Management reforms, civil service reforms, training, etc**

A Local Government Service Bill, which aims at hiving off the administration of DAs from the civil service, is under consideration by the government. In terms of the main provisions of the draft bill, it essentially seeks to strengthen administrative management in DAs by providing a managerial infrastructure to assist in the formulation, implementation, monitoring and evaluation of policies for development. The Bill, in this regard, seeks to create a nation-wide service with a common scheme and conditions of service to which all administrative staff of DAs will belong. The problem with this arrangement is that it does not extend to each DA the power and authority to hire, fire or provide an incentive structure governed by its own conditions. All staff of DAs, in effect, will belong to one organisation, and they will be covered by a common scheme of service. Indeed, the Bill seeks to establish a nation-wide Local Government Service Council with the responsibility of approving the creation of all posts that will be filled for the effective performance of the functions of the Service. However, the Bill states that *'[t]he Minister (i.e. of Local Government) may issue directives in writing to the Council on matters of policy, and the Council shall comply with the directives'* (Section 12). Legally, appointment to the top hierarchies will be made by the President, in consultation with the Local Government Service Council and the Public Services Commission, so that, at best, DAs will be responsible for the appointment of middle level managers.

The conditions for appointment or filling of vacancies in the Service may take three main modes (i) by direct appointment through external advertisement, (ii) by internal promotion through interview and or examination or (iii) by transfer or secondment into the Service from other public service organisations. Staffs of the Service constitute a working pool, and they should expect to be posted to any part of the country where the Service exigencies dictate, so that there is movement within the Service. Thus, what we have, at best, is the replacement of the central civil service with a central local civil service, with the latter under the direct control of central political actors.

Currently all DAs are readjusting their administrative processes as a result of a directive from the OHCS stemming from the ongoing Civil Service Performance Improvement Programme (CSPIP). In 1994, the central government established the National Institutional Renewal Programme (NIRP) to develop the capacity of all key public service organisations. It was in response to this programme that the OHCS launched CSPIP. For sample, DAs this reform has set up in-house Capacity Development Teams to ensure a continuous examination of existing structures, systems, processes and other institutional arrangements such as intra-institutional

communications, organisation of work, work flow patterns as well as administrative, operational and strategic rules and procedures. The measures have the objective of removing constraints to the delivery of cost-effective outputs and ensuring the timely execution of programmes and projects. In this respect, District Coordinating Directors in all sample DAs have signed performance agreement with the OHSC by which at the end of the year they will be held accountable for ensuring that a number of deliverables have been met. Under this scheme, Directors who score less than 70 per cent will be sanctioned for non-performance whilst those who score 90 per cent and over will be rewarded. DAs will also be assisted and supported by consultants to develop institutional strengthening plans, including the institutionalisation of effective monitoring, evaluation, performance measurement systems to determine productivity of human, financial and other budgetary inputs and to facilitate timely reporting on a sustainable basis.

The organisational effectiveness of the CSPIP, like many civil service reforms, runs into implementation bottlenecks. As to whether CSPIP has enhanced productivity, an official of the Ministry of Social Welfare and Employment retorted *'here we have the issue of the chicken and the egg. Should there be improved productivity for salaries to be increased or should there should be increase in salaries, which will lead to increased productivity. You see the Civil Servant will hardly be productive looking at his problems. The man is thinking about how to feed his family after close of work and you think he will be thinking about CSPIP or productivity'*. In effect, the low levels of remuneration in the civil service is not only affecting morale, but also leads to low productivity and low responsiveness in embracing reform.

There are also problems associated with the structural dimensions of reforms in respect of command, control and management of human resources for productivity. In response to how the reforms extend effective control to managers, a Chief Director responded: *'for me, it is interesting asking Chief Directors to sign performance agreement. What does he do when a personnel is not performing? It is as if they have much control over their personnel, when it is the Public Service Commission, which employs, promotes, transfers and sanctions. The worst a Chief Director can do is to write against the lazy guy to the Public Service Commission who will act after a year'*. In effect, not only are there overlapping roles in respect of personnel control but the procedure to attain control is so cumbersome that its substantive effectiveness to ensure compliance is negated by the time a decision is reached. The ineffectiveness of CSPIP has been identified to include inadequate organisational infrastructure, logistics and incentives. There is also a sense of job insecurity and high attrition rates at all levels, and this, in particular, has led to shortage of skills and expertise in critical areas of competence. In addition, there is little financial autonomy, and this has acted negatively on planning in financial, personnel and effective management decision-making. Not only is budgetary allocation erratic, it is inadequate in relation to tasks assigned; approved budgets are cut without warning and payments are received late. Other factors include communication gaps between ministries and stakeholders, cumbersome decision-making processes and political interference in the day-to-day operations of bureaucratic work.

Under the World Bank funded Local Government Development Project (Urban II), manuals on monitoring, evaluation and performance measurement systems have already been developed for application on a pilot basis in a number of DAs. These

would be reproduced for use in all DAs after their successful testing in the field. Whilst on paper these reforms sound good, one has to be cautious, as experience of reorganisation in the Ghana Civil Service has often been beset by implementation obstacles that tend to defeat the well-intentioned reform initiatives; this has been acknowledged by both the Head of Civil Service and the World Bank, among others.

The OHCS prepares the strategies and action plans of DAs for systematic training of existing staff in order to upgrade their administrative and innovative capacities. The OHCS develops training policy, funding and implementation. Of late, however, a major obstacle has been that of funding. The OHCS has complained of inadequate funds to take care of the training of officials, and, as such, many officers due for training have not benefited. Related to funding is the effect of the impending detachment of DAs from the mainstream civil service, which has led to a situation where the OHCS feels less committed to DAs and thus approaches training with a lukewarm attitude.

Human resource development, in the main, has been funded through donor support. In this respect, bilateral donor agencies like DANIDA, CIDA, USAID and GTZ have been active. Moreover, under the Lome IV Convention the European Union has signed a financial agreement with the Government of Ghana to fund human resource capacity building for DAs. It is envisaged that 10,000 of the staff would benefit from the facility. DAs themselves are reluctant to provide training for staff, as they have no control over their transfer, promotion and retention. This situation may change, however, when the proposed Local Government Service Bill is enacted into law. An aspect of this Bill is the establishment of an Institute of Local Government Studies, which has been charged to provide training for staff of DAs to enhance their managerial, administrative and operational efficiency. The Institute has since June 1999 taken off.

Related to fiscal decentralisation is the Public Financial Management Reform Programme (PUFMARP), which aims to enhance the managerial potential of DAs in order to improve budgetary, financial management and reporting systems and to ensure transparency in the management of government finances. It also seeks to strengthen financial management skills and capabilities as well as to take steps towards decentralisation of financial management. As part of the PUFMARP process, the Ministry of Finance had given the Canadian International Development Agency (CIDA) the green light to study the design and implementation of financial resource management methodologies that can strengthen fiscal capacities and responsibilities of DAs. The study is expected to produce a revised Financial Administration Regulations (FAR) and Financial Administration Decree (FAD), taking into account the performance and lessons learned under the existing FAR, FAD, the Common Fund Act 455, the National Development Planning Commission Act 479 and priority concepts such as 'composite budgeting' and 'broad-based budget'. The CIDA programme is also expected to handle the identification of human and institutional capacity building requirements in support of fiscal decentralisation. This would include the review and revision, where necessary, of the budget and financial management roles of Ministries, Departments and Agencies (MDAs), DAs and of processes, procedures and methods such as budget hearings, inter-departmental co-ordination mechanisms, the composite budget and charts of accounts. The project will also handle both the expenditure and revenue issues pertaining to fiscal decentralisation. A Fiscal Decentralisation Secretariat to deal with the above issues has been set up, since the beginning of 1999, in the Ministry of

## Finance.

In assessing the impact of the PUFMARP so far, it has been observed that its success is more at the level of organisational design, as it has attempted to adopt a new framework for preparing, programming, monitoring and evaluating the budgetary process. At the operational level, however, PUFMARP and what it entails are not known to the rank and file in the Ministry of Finance, not to mention those in other ministries. It may be inferred that, as a process of change, PUFMARP has set in motion, at best, a novel way of approaching financial management, but this has not seeped down the bureaucratic ladder to attain operational relevance. It may be added that the impact of PUFMARP on the DAs and, for that matter, fiscal decentralisation at this stage is negligible.

### **7.4 Potential and actual introduction of new methods and information technology**

The potential for DAs to introduce new methods and information technology is high, but currently this has been much curtailed as a result of the lack of integration of central departments at the DA levels. In other words, the organisations that have the capacity and potential to use such new approaches are outside the domain of DAs. The Accra Metropolitan Assembly, however, clearly stands out as having the greatest potential to introduce new methods and information technology. Indeed, it has a data processing centre at the headquarters and a local area network at the Treasury Department. It may be added that personal computers have been installed in the Treasury Department to facilitate enhanced productivity. A local network installed within the department comprises the following configurations: 1 server 3 gigabytes HD 16MB memory and 9 workstations, of which 5 have 24MB memory and 4 have 16MB memory. Accra has a large population, is the headquarters of the most important corporate bodies in the country, provides a variety of services and receives the largest chunk of budgetary allocations from central government among DAs; it has also benefited from large doses of funding from, among others, the World Bank.

The legal, administrative and fiscal controls to which DAs are subjected reduce the power, capacity and incentives to adopt innovative approaches to improving their management. This is particularly so within the domain of fiscal decentralisation, where the autonomy of DAs to embark on their own chosen course of actions is hamstrung. Public private partnerships, contracting out and commercialisation are very infrequent among DAs. As pointed out, the areas where these activities operate involve minor economic transactions. Accra, however, has a larger potential due to the factors enumerated above to pursue reforms in this direction. Indeed, there are signs that it is moving towards this, as demonstrated by the construction of a modern car park in the heart of the city as a joint venture between the city and private corporate actors. Potential also exists to explore opportunities offered by the emerging stock exchange in equity financing and debt financing. However, this will require expertise that the DA, given the right incentive framework, can muster.

Adjustment of internal procedures of work functions, with the view to restructuring the administrative processes to facilitate optimal use of scarce resources, is hardly driven internally by DAs. Currently, all DAs are readjusting their administrative processes as a result of a directive from the OHCS as part of the ongoing Civil Service Performance Improvement Programme (CSPIP). As pointed out previously, these entail introducing

performance improvement planning, monitoring and control systems and clientele responsiveness in the civil service. CSPIP enjoins the civil service to form capacity development teams, undertake self-appraisal of capacity, undertake user or beneficiary surveys, go through diagnostic analysis and prepare performance improvement plans for validation and implementation. Whilst the blue print is promising, these reforms are beset with implementation bottlenecks that make their effectiveness remote. A major drawback is that the administrative reorganisations are being directed and controlled from the OHCS, and all DAs have to tailor their readjustment within this stricture. In effect, the advantages of local rationality and adaptation are lost.

One major constraint at the district level is the lack of any reliable data for planning and decision-making purposes. As was found in the Asante Akim North District, estimates are guess work and mostly unrealistic. Indeed, estimates on market rolls are based on the assumption that a certain number of markets have been built by the Assembly and that, correspondingly, a certain amount of money must be realised. The problem of a reliable information base for decision-making is illustrated by the consequences of the prevalence of informal transactions on the capacity of DAs. This includes lack of knowledge about the total population (which also affects those who could be brought into the tax net) and a general gap in data collection and information processes for the conduct of feasible socio-economic actions by either the assembly or private actors. Likewise, a report by the Cape Coast Municipality notes the absence of street names and house numbers, which exemplifies the consequences of informal transactions as follows: *'The greater number of streets and houses in the city are without numbers. This situation affects the Assembly in the following ways: (I) poor database; (ii) serving of bills (iii) collection of revenue (iv) valuation of properties'*. In effect, the informal system prevailing impairs the revenue generation capacity of the DA.

Whilst the use of computers is becoming widespread, use is essentially to replace the typewriter. In effect, it is in the area of word processing that significant change can be gauged. In Accra however, it was observed that the system of accounting has considerable decision support systems. Administration in Cape Coast has also been, as a result of a USAID project in the Central Region, connected to the Internet and therefore enjoys the information and decision-making advantages the Internet offers. Not least, it affords DAs in the Central Region online facilities to communicate with one another, but this is yet to be operational. Information and communication technology is, however, under-developed in DAs in general.

Data on land, land use, real property and natural resources are weakly developed in DAs. Indeed, they do not have the power, capacity and resources to be active players here. Land and land use are tied to a cumbersome land tenure system in the country, which frequently sideline DAs, as authority over these is invested in central government institutions.

The strategies and action plans of DAs for systematic training of existing staff, in order to upgrade their administrative and innovative capacities, are centralised, with the OHCS having operational authority. This central body develops training policy, funding and implementation. The tendency had been to send participants through standardised courses offered by the Ghana Institute of Management and Public Administration (GIMPA). Training, therefore, is not tailored to suit local needs. Besides,

because the transfer, promotion and power of reward lie with the OHCS, managers of DAs are more inclined to respond to the incentive structure offered by the OHCS than local training needs, as this serves their career progression. Indeed promotion in many instances is tied to a successful participation in a GIMPA-offered course sponsored by the OHCS. Of late, a major obstacle has been of funding. The OHCS has complained of inadequate funds to take care of the training of officials, and, as such, many officers due for training have not benefited. Related to funding is the effect of the impending detachment of DAs from the mainstream civil service as a result of Local Government Service. As has been pointed out earlier, this has led to a situation where the OHCS feels less committed to DAs and thus approaches training, among others, with a lukewarm attitude. DAs themselves are reluctant to provide training for staff, as they have no control over their transfer, promotion and retention.

### **7.5 Technical Management Capabilities in relation to Infrastructure and Service Provision**

It is important to reiterate that most of the technical agencies operating at the level of DAs lie outside their jurisdictions, as the decentralised departments have not been integrated into local authorities. A major organisational implication of this state of affairs is that technical capabilities, utilisation and development are in the hands of central government agencies, and not DAs. Technical management, as a sphere of organisational task concern, is thus not well developed in the sampled DAs except in Accra, where the provision of modern services require higher expertise to manage. Relative to ISP indicators, Accra has engineers responsible for such community amenities as sewerage and solid waste management and for some roads and drainage. In respect to these human resources, it can hire and fire staff in relation to local needs and priorities.

DAs have little experience with staff purposely oriented toward project planning and investment. However, as pointed out, they all have tender boards and are thus capable of contracting out projects that fall under their purview to private contractors.

DAs have not concerned themselves with competitive management of key infrastructure components, not to mention that the technical agencies operate outside their purview. Because of this, the private sector is comparatively ahead of DAs in this area.

Because the integration of the technical departments has not become a reality, plans and policies for improving technical management capabilities may be premature.

### **7.6 Financial Management Capabilities**

The use of external expertise and experience of regional banks in the identification of financial options and pension funds are legally outside the authority of DAs. These are pursued by central government agencies. Accounts and audits also fall under the general supervision of central government agencies, to wit the office of the Controller and Accountant General and the Office of the Auditor General. These central agencies are not only responsible for formulating policies but also provide guidance and control in respect of the accounts and audits of DAs. DAs have internal auditors and

accounting officers, but these capacities are weakly developed in competencies and skills. Similarly, budget capabilities are weakly developed. There is a dearth of skills in budget management, and when one recognises that budget capacity is even a major problem at the level of central government, a weakness that has necessitated the initiation of PUFMARP, then the weaknesses in the DAs become clear. Again judged by the number of budget officers in the sample DAs, the incapacity associated with budget management cannot be in doubt.

It may be relevant to capture some of the issues that affect financial management in DAs.

- In terms of civil service reforms, there has been a merger of central and local government treasuries into one District Finance Office as a measure of decentralisation, but control is effectively in the hands of the office of the Controller and Accountant General, a central government agency.
- The decentralisation of award and payments for civil works contracts to the value of \$100,000 and road construction works to the tune of \$200,000 has been set by the Ministry of Finance.
- District Tender Boards have been established to entertain competitive bids for contracts for civil contract works to the value of \$100,000 and road construction works to the tune of \$200,000.
- The Ministry of Finance has the final authority in matters concerning the preparation, publication, approval and control of budget. In effect, the DAs do not have autonomy in these matters.
- The Controller and Accountant General's Department gives ceilings within which financial authorisation to spend takes place.
- Under the Local Government Act Section 91, the Minister of Local Government has the power to give financial instructions to DAs.
- Under Section 91 (1), the Minister of Local Government has the power after consultation with the Minister of Finance to issue instructions for the control and efficient management of the finances of DAs.
- Under Section 93 (1), the Minister of Local Government has the power to authorise the inspection of books, accounts and records of DAs.
- Under Section 93 (2), an Inspectorate Division has been set up within Ministry of Local Government to monitor and control the finances of DAs.

Human resources development, with respect to financial management capabilities, is constrained because this is a function of the OHCS rather than the DAs.

DAs can borrow up to 20 million cedis; above this amount, approval must be sought

from central authorities. Borrowing does not occur often in the operations of DAs. Equity financing arrangements do not exist among DAs; Accra has the potential to go into this arrangement, but it has not fully explored this.

It may be worthwhile to quote the former Controller and Accountant General, Professor Ato Ghartey, who has identified 40 items which mitigate against effective and efficient financial management for fiscal decentralisation; these, which are still relevant, are illustrated in the box below:

<p><u>1. Teething problems associated with implementing fiscal decentralisation</u></p> <p><u>2. Lack of organisational chart with clearly defined functions, roles and responsibilities for staff of DAs, Presiding Member and Regional Coordinating Councils.</u></p> <p><u>3. Granting financial management consultancies contracts without consulting the Office of the Controller and Accountant General.</u></p> <p><u>4. Inability to recruit or station the right calibre of staff for DAs</u></p> <p><u>5. Ignorance or non-compliance with financial regulations</u></p>	<p><u>6. Laxity in supervision and monitoring of</u></p> <p><u>7. Infrequent audits by both internal and external auditors</u></p> <p><u>8. Huge balances on salaries and wages Suspense Account</u></p> <p><u>9. Inadequate quality and quantity of accounting and other related staff</u></p> <p><u>10. Poor salary and lack of incentives</u></p> <p><u>11. Embezzlement, misappropriation and misapplication of funds</u></p> <p><u>12. Lack of trust between staff of DAs and the public</u></p> <p><u>13. Delay or inability to submit required returns or statements</u></p>	<p><u>14. Lack of clear policy guidelines with respect to merger of Controller and Accountant General Department (CAGD) with Local Government</u></p> <p><u>15. Lack of understanding clear lines of authority and responsibility for top management</u></p> <p><u>16. Conflicting roles of Local Government inspectors and Internal Audit Staff</u></p> <p><u>17. Conflicting roles of District Financing Officers and Budget Officers</u></p> <p><u>18. Conflicts between District Chief Executives, District Co-ordinating Directors and District Finance Officers</u></p>	<p><u>19. Inadequate offices and accommodation</u></p> <p><u>20. Inadequate transport and communication facilities</u></p> <p><u>21. Ignorance or inaccessibility to relevant circulars</u></p> <p><u>22. Indiscipline</u></p> <p><u>23. Inability to meet targets</u></p> <p><u>24. Political and traditional authorities interference</u></p> <p><u>25. Low level of revenue generation</u></p> <p><u>26. Reluctance or inability of tax payers to meet their tax obligations</u></p> <p><u>27. Inadequate staff development and training schemes</u></p>
<p><u>28. Lack of proper education on tax obligations</u></p> <p><u>29. Limited ability to pay taxes because of extremely low average income levels of rural population</u></p>	<p><u>31. Confusion of roles of Internal and external auditors</u></p> <p><u>32. Setting unrealistic revenue targets</u></p> <p><u>33. Inequitable distribution of social amenities e.g. Education, Health, Water etc.</u></p>	<p><u>36. Limited sources of revenue to the local authorities as traditional sources of revenue have</u></p> <p><u>37. Failure to bond storekeepers, revenue collectors and other persons who handle value books.</u></p> <p><u>38. Confusion of roles of</u></p>	<p><u>39. Lack of visible development and services commensurate with community aspirations</u></p> <p><u>40. Lack of transparency and understanding between external auditors and Finance Officers.</u></p>

<p>30. <u>Migration of youth to bigger urban towns/cities thus reducing the number of economic groups targeted for rate payment</u></p>	<p>34. <u>Existence of weak internal controls</u></p> <p>35. <u>Inadequate database, e.g. Nominal rolls, registers, valuation lists etc. for tax and rate assessment</u></p>	<p><u>Internal Auditors, Finance Officers and Local Government Inspectorate Staff</u></p>	
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## 7.7 Management and Decision-Making in Relation to Land, Water, etc.

DAs find it difficult to acquire land for development even when funding for this purpose is available. This is because they do not have stool lands (i.e. lands controlled by traditional rulers) or government lands; as a result, they are compelled to acquire land from individuals or families. In addition, the procedure for land acquisition is centralised, and the attitude of staff of the Lands Commission in the processing of documents for compensation to the rightful landowners has not been helpful either. Litigation evidently is rife, wastes time and stifles efforts at development in DAs. In the cities, the rapidly growing population has put pressure on land, and neither the central government nor DAs has the capacity to cope with the pace of development and the proper management of land. Most residential developments do not follow the formal planning framework: building is undertaken by small building contractors and artisans. Whilst formal rules exist for the transfer of land, most transfers are made informally in accordance with local customs. Insecure tenure to land is common, and corruption prevails in the bureaucratic agencies responsible for land management.

Water supply is the responsibility of a state parastatal, Ghana Water and Sewerage Corporation (GWSC). All DAs face water shortages, and the situation has been deteriorating. In the urban areas, many new suburbs have no pipe-borne water connections to homes. Even in areas with water connections, interruption in the supply of water is the rule. The government has recognised the constraining effect of this and has initiated a policy of private sector delivery of urban water supply to address this problem. The policy has been slated to take off from 1999. Implementation of the policy will take the form of leasing the existing infrastructure of GWSC to private operators by the government through the Ministry of Works and Housing.

Whilst environmental degradation in the country has been recognised, it has not deteriorated to the extent that it poses a real constraint to the development of ISP. National regulations exist to enforce environmental policies, and the Environmental Protection Agency (EPA) has been charged with this responsibility. The activities of the EPA have not constrained the development of ISP including the involvement of the private sector.

Issues of physical planning and land management are the responsibilities of the Department of Town and Country Planning, Land Title Registry and Land Commission, among others. The role of DAs in this regard is limited to the granting of building permits and, at times, the provision of infrastructure.

Because of jurisdictional constraints, the DAs' powers to control and influence development, both formal and informal, are limited, as these are effectively in the domain of institutions outside the DAs.

## CHAPTER EIGHT

### SUMMARY, FINDINGS AND RECOMMENDATIONS

#### CONCLUSIONS AND RECOMMENDATIONS WITH REGARD TO THE SUSTAINABILITY OF THE FINDINGS

##### 8.1 Introduction

In this Chapter, we summarise the major findings of the research and make recommendations for future development of the system of decentralisation and sub-national government finance in Ghana. The presentation broadly follows the sequence of the chapters preceding this one.

##### 8.2 Government Objectives

###### 8.2.1 *The political and administrative structure*

###### 8.2.1.1 *Introduction*

Chapter Three examined the motivations for the present system included the need to reduce corruption and mal-administration, integrate planning into the system and strengthen the institution and finances of local government.

###### 8.2.1.2 *The Assembly system*

Members are elected on a non-party basis. While the rationale for this was to reduce conflict and stimulate development, it is also a tool for reducing the political power of DAs. It is widely held that the political affiliations of DA members are well known, so the situation is not a truly non-political one. An objective in a fully decentralised system must be to permit political activity, which would make the system more robust in the long term.

It should also be noted that 30% of the members are appointed. The explicit objective of this is to introduce members with skills and experience that might be lacking among the normal elected membership, but there have been many accusations that the system is used as much for political patronage and control.

###### 8.2.1.3 *Regional Government*

Each region in Ghana has a Regional Minister, with his/her own staff, and a Regional Coordinating Council, which co-ordinates the activities of the Districts and central government agencies within the region. This is to provide co-ordination between the needs of the Districts and ensure that Government policy is followed. There is a debate about whether the additional layer of a Regional administration is useful. Our analysis shows that, where used with due respect to the DAs and as a supportive rather than controlling mechanism, the regional tier is useful. On the other hand, there have been examples of interference by the Regional Coordinating Councils that have had negative consequences.

#### *8.2.1.4 Staffing*

Almost all the established staff of District Assemblies, from the highest to the lowest, is paid by Government and falls under the control of the Office of the Head of the Civil Service.

In theory, this ensures that posts are filled with staff of sufficient competence and with appropriate qualifications. It also allows the line Ministries, from which the staffs are seconded, to supervise and ensure that services of the requisite standard are provided. However, some members of staff have loyalties divided between the District and their parent Ministries. This affects morale and, in some cases, impinges on job performance.

The report has shown that serious delays can occur in filling vacant posts, especially when new posts have to be created.

### **8.3 Infrastructure and service provision - Division of responsibilities**

Under the legislation, District Assemblies have the powers to take responsibility for all infrastructure and utilities. In practice, however, they have neither the funds, nor the skills to do so. In the case of infrastructure construction, they are therefore solely responsible for a comparatively small range. This includes “feeder roads” (i.e. gravelled rural roads, which are their responsibility to construct and maintain), and water supply in areas where piped water does not exist (the Districts typically sink boreholes or rehabilitate old ones and provide hand pumps for the use of local residents). They also develop markets and bus parks.

In respect of services, similar limitations apply. In urban Districts, the Assembly provides the solid waste removal and street sweeping services and is also responsible for providing the bulbs for streetlights. They have responsibility for the maintenance of school buildings and health facilities - in respect of the building itself, it should be noted. They are also responsible for solid waste removal and sanitation (treatment of effluent from septic tanks and supply of public toilets).

### **8.4 Regulatory Environment - Legislative freedom**

The level of fees that District Assemblies can charge and their right to charge fees are subject to guidelines and legislative instruments issued by the Minister of Local Government and Rural Development. Such controls are used regularly, but there is not a strong feeling of resentment in the Districts with regard to this control. It is generally felt that it is appropriate for these matters to be regulated nationally to keep comparability between different administrations.

## **8.5 Major Findings from the Study**

### ***8.5.1 Autonomy and Control***

The study has demonstrated that Ghana has established a comprehensive framework for decentralisation, but in many respects, the legislative intentions have yet to be implemented.

One of the successes has been the system by which staffing has been managed in the past, and the establishment of the District Assemblies Common Fund (DACF) has allowed continuity and has ensured a funding level that provides for stability and good governance.

However, the study demonstrates that central Government and the President's office retain many controls over the operation of the Districts. These controls are, in summary form, as follows:

#### ***8.5.1.1 Control by the RCC***

DAs are placed under the supervision of the Regional Minister and the Regional Coordinating Council. This allows the Minister to ensure that Government policy is implemented, monitor the performance of the DAs and take any action that he might consider necessary. There is a view that the Regional Ministers, and the Regional Coordinating Councils that they chair, present one more obstruction in the relation between DAs and the centre. The evidence suggests that the value of the Regional system to the Government lies in its utility in controlling the activities of decentralised government, by monitoring and regular reporting, rather than in acting as a means of supporting it.

#### ***8.5.1.2 Appointment of the DCE by the President***

The DCE is appointed by the President and has the duty of ensuring that central government policy is followed in the District. As such, he is an important vehicle for political influence by the ruling party at the District level. His position is strengthened by the non-partisan nature of DAs.

#### ***8.5.1.3 Appointment of Assembly members by the President***

30% of the Assembly members are appointed by the President. This gives the ruling party an additional and very important source of political patronage and control.

#### ***8.5.1.4 Non-Partisan elections***

Assembly Members are only allowed to stand on a non-partisan basis. This reduces the political standing of the DA and the opportunity for opposition political activity at the DA level.

#### *8.5.1.5 Appointment of staff by central government Ministries*

The staffs of the DAs are appointed by Central Government Ministries, and, inevitably, they have divided loyalty between their parent Ministry and the District.

#### *8.5.1.6 Budgetary parameters imposed by Central Government*

The Ministry of Finance and the Ministry of Local Government and Rural Development prescribe the parameters of DAs' budgets, especially for expenditures of the DACF.

#### *8.5.1.7 MLGRD has power to spend DACF allocations on behalf of DAs*

The MLGRD spends DAs' DACF money on behalf of DAs without consulting them.

#### *8.5.2 Powers and duties in respect of ISP*

Legislation gives DAs a wide range of tasks and responsibilities, including health, water provision, education, postal services, agricultural and veterinary extension services and fire services. However, they have neither the skills nor the finances to take responsibility for providing these services, although they may contribute to them, as discussed below.

#### *8.5.3 Services provided*

Paradoxically, the DAs do *not provide*, in fact, many of the services that would normally be considered an essential part of local infrastructure and service provision, as these are handled by parastatals or deconcentrated services established by Central Government.

The absence of a major role in providing water, sewerage, electricity, health and the partial role in respect of roads and education are all matters that could be re-examined, especially in light of Government's commitment to decentralisation.

The question is whether, in light of conflicts in legislation and lack of funding for the mandates that exist under the Local Government Act, the Government will clarify the roles of the DAs in respect to other providers of social and infrastructure services.

#### *8.5.4 Revenues*

The biggest source of revenue for the DAs is government transfers, consisting of the DACF and staff salaries. Next in importance are property rates, followed by user charges for facilities such as markets.

The levels of income and expenditure of DAs are severely limited by a number of factors.

##### *8.5.4.1 Limited number of sources*

They do not provide services that might be treated as income generators (for example water and electricity).

#### *8.5.4.2 Potential of Property Rates not realised*

They are limited in the collection of property rates by three factors: out of date valuations, poor enforcement procedures and an inadequate database (i.e. buildings are not included in the valuation roll).

#### *8.5.4.3 Political restriction on rate increases*

Many politicians at the District, Regional and National levels see their duty to protect the public against price increases imposed by the public sector. This affects the ability of DAs to raise fees and charges, even to keep them in line with inflation. It also creates a climate in which political influence is brought to bear when enforcement measures are applied to debtors.

#### *8.5.4.4 Lack of incentive to increase revenue*

There is a perception that the DACF system has reduced the DAs' incentive to raise their own funds. The report does not make a finding on this matter, but the DACF contribution is such a large proportion of gross revenues in some cases, that one must conclude that this could be true. The report provides evidence of widely differing levels of cost recovery, which points to the fact that motivation to collect debt may be reduced by a reliable source of income.

### ***8.5.5 Government transfers not regular***

Some payments from central Government are not made, or are made very late, for example:

#### *8.5.5.1 DACF*

Most DACF payments have been made several months after they were due.

#### *8.5.5.2 Ceded Revenue*

Ceded revenue has not been paid in the recent past.

### ***8.5.6 Powers and duties in ISP***

#### *8.5.6.1 Lack of legislative clarity*

As stated above, there is a lack of legislative clarity with regard to the duties of DAs. The Local Government Act authorises the DAs to establish Health and Education Departments and states that the corresponding central government Departments in the Districts should cease to exist. Since then, the Ministries of Health and Education have established deconcentrated management systems outside the DAs. The situation is less clear in respect of Education, as DAs have the responsibility for teacher discipline

DAs contribute to the cost of providing water services, particularly in the rural areas, in collaboration with the National Community Water and Sanitation Agency.

They also contribute to rural electrification, for example, by providing the poles.

Responsibility for roads is shared between DAs and the National Roads Board, the Department of Urban Roads and the Department of Feeder Roads. As with the other services referred to above, the decision as to whether the DA should contribute to the maintenance of a facility, or the cost of construction or improvement, is based on public pressures (as conveyed by the Assembly) rather than legislative duty.

#### *8.5.6.2 Actual provision*

DAs thus have limited responsibility for the provision of services and infrastructure. Their main responsibilities are in the areas of solid waste removal and roads.

#### *8.5.6.3 Poor Standards*

The standard of infrastructure is generally rated poor. In some cases, the DAs do not provide service at all (for example, there is no solid waste removal service in some of the rural Districts).

The report finds that the poor standard of infrastructure is due to a number of factors, of which the most important is the low institutional capacity of the DAs and the other agencies concerned. This is partly due to a low level of revenue collection.

The performance in the field of rural electrification and water supply offers some exceptions to the allegation of poor performance.

#### *8.5.6.4 Effective use of Fund System*

The practice has developed whereby a surcharge - paid on the cost of fuel, water and electricity - is placed in special "Funds". This practice appears to be providing a useful resource, especially in that it focuses resources on maintenance needs that otherwise tend to be neglected.

#### *8.5.6.5 Privatisation*

In an effort to improve the standard of provision, Accra has pioneered the principle of privatisation, but the standard of service provided by private contractors has been considered inadequate.

#### *8.5.6.6 Affordability as a constraint on charges*

It is generally believed that affordability levels in Ghana are very low, and this places a real limit on the standard of services that can be provided.

#### ***8.5.7 Land Management, Registration and Planning***

There are many problems in connection with land and land administration in Ghana, and SNGs are constrained because of these problems. Examples of the problems include the fragmentation and numerous disputes over land; lack of street names and house numbers; poor administration and a lack of capacity to control development; and severe delays in approving building permits, which induce people to by-pass the system and build illegally.

#### ***8.5.7 Staffing problems***

There are many staffing problems at the DA level. These include a lack of properly qualified staff (especially in the technical fields), low remuneration and working conditions that discourage productivity.

#### ***8.5.8 Lack of supporting administrative infrastructure***

Supporting infrastructure for the operations of DAs is lacking. The shortage (or, in some cases, absence) of computers, telephones and vehicles is particularly noteworthy.

### **8.6 Short-Term Recommendations**

#### ***8.6.1 District Assemblies Common Fund***

The study has shown that aspects of the DACF are not working, and it is recommended that attention be drawn to these, as follows.

##### ***8.6.1.1 Abolish requirement in respect of Poverty Alleviation Programme***

The requirement that DAs spend a certain proportion of the fund on poverty alleviation should be changed. The evidence suggests that this programme has not been successful in most cases, has been difficult to monitor and may be open to abuse. While the concept of assisting the growth of small business is a very welcome one, alternative structures, such as NGOs or specialist financial parastatals, are better suited to it.

##### ***8.6.1.2 Establish mechanism to guarantee continuity of funding for DACF funded contracts***

Government should provide a guarantee fund through private banks in respect of DACF funded contracts. Alternatively, the DAs should not commit themselves to the award of contracts until they have the full amount of the funds available from the common fund. We recognise that central Government sometimes is not in a position to make payments of the DACF by the due date. In the absence of a guarantee fund, DAs should wait until projects are more or less fully funded. This will allow them to get much better rates from contractors and will re-introduce confidence in the public sector. It will also protect them from the expense of lawsuits. In addition, central government should not interfere with the expenditure of funds once they have passed to the DA.

#### ***8.6.2 Property Rates***

There are delays in the operations of the Land Valuation Board (LVB); as a result, the full potential of property rates is not being realised due to under-valuation and incom-

plete records. It is recommended that the operations of the LVB be streamlined to permit regular re-valuations and an indexing system developed to allow values to be updated on an annual basis.

### **8.6.3 Utilities Funds**

It is recommended that the system of setting aside revenue for maintenance and development purposes (as in the case of the Road, Water and Electricity Funds) be strengthened, as this provides an important source of funding for maintenance.

### **8.6.4 Unit/zonal committees**

Some difficulties have been reported with implementing the concept of Unit/zonal Councils. The major difficulty in connection with the Unit Committees has been that it is difficult to find enough people willing to stand for election. This has led the Minister of Local Government and Rural Development to concede that eight elected members will suffice to constitute a legal committee. There also appears to be a lack of sense of purpose: while most committees have been constituted, few have met or done any work.

The problem with the Councils is that funding for these posts has not yet been made available. Although staff can be seconded from the District on a temporary basis, this approach is not sustainable. Meanwhile, the search is on for premises, which should include limited office space as well as a meeting hall.

This raises the very important question as to whether the political will really exists to establish and operate such an ambitious system. The costs are high: the Councils are not funded yet, and thus they have not started work in earnest. The Councils consist largely of existing Assembly members. These same people may be members of the executive committee, as well as sub-committees. Serving, therefore, imposes a substantial burden on the time and the enthusiasm of the persons concerned. Their willingness to continue serving in this capacity will probably be determined by whether the Councils can achieve results. Experiences in other jurisdictions suggest that this may not be easy.

Turning to the Unit Committees, they have found it difficult to attract members who have to serve on a voluntary basis.

Finding an important role for the Committees will encourage participation that is more willing. Some Districts have already given responsibility to the Unit Committees to manage facilities such as public toilets or markets. How well they do so will be an important test of the value of the concept.

At this stage, we can only speculate as to whether the system is sustainable in terms of finances and in terms of the demands that it makes upon the office bearers in all three tiers.

### **8.6.5 Local Government Service Bill**

The Local Government Service Bill is intended to remove the control of the staffing of SNGs from the civil service and place it under an independent body. The Bill provides for the establishment of a Local Government Service Council, which shall report to and takes direction from the Minister of Local Government and Rural Development.

The effect of this will be to sever the current direct link between the central Ministries in Accra and their staff in the Districts. The Ministry of Local Government and Rural Development is planning to introduce this measure into Parliament in 1999.

The Bill should enable existing staff to get better terms and conditions of employment. Currently, there is no differential to encourage people to serve in the remote districts, where a lack of services, accommodation and facilities such as schools place them at a material disadvantage. If properly administered, the new Bill would encourage a higher quality of person to enter the service, with corresponding benefits in the level of commitment and the standard of administration.

This study supports the concept of making local staff accountable to the DA, with the latter as both an employer and as a corporate entity. This would generate more commitment from the staff and a higher level of productivity. It must be combined with transparency, in terms of appointment procedure and effective safeguards against dismissal for political purposes. It must also be implemented with conditions of service that reflect two aspects of the job: the professional skills required (which means that the salary must be market-related in respect of each professional cadre) and the degree of hardship of the post.

It has been found that by establishing a properly managed public sector system, a high quality of staff can be engaged, and the performance correspondingly improved, to the benefit of the citizens and the country alike.

#### ***8.6.6 Revenue collection***

Although some participating DAs have established task forces and other innovative methods to increase both the level of payments by debtors and to devise new sources of revenue, revenue generation has generally received little attention, to date. This is symptomatic of more than simply poverty: the fact that DAs deliver a comparatively small range of services limits their ability to raise funds through service charges. The political culture is fiercely resistant to price increases, which makes the position of the DAs even harder. (Incidentally, it has also threatened the viability of the parastatals delivering electricity and water).

With regard to the level of collection, however, in many districts there is room for substantial improvement. Firm legal action has established good precedents in some Districts. Asante Akim North District Assembly, for example, collects about 94% of its property rates, whereas other districts consider 50% the most they can hope to achieve. Suhum has adopted a vigorous programme to increase collections, including setting up task teams to identify evaders, setting norms by which revenue collectors' achievements can be assessed and giving commissions for income received. (This is quite common in that non salaried revenue collectors are employed in places such as

markets and receive 20% of their taking as commission: but this system does not always achieve good results, due to corruption).

There is already a very wide spread of revenue sources, and it is unlikely that any important new sources of revenue can be identified.

#### ***8.6.7 Privatisation and commercialisation***

The delivery of services can be improved, in many ways through increased participation by the private sector. It is recommended that this subject receive much greater attention than it has done to date and that alternative arrangements be pursued. The experience in other countries has been that the nature of contracts entered into with the private sector (such as management contracts, franchising, joint ventures and others) and the way in which they are administered can vary widely. Some approaches may succeed and others fail. The concept should therefore be developed through the implementation of more pilot projects.

### **8.7 Medium Term Recommendations**

#### ***8.7.1 Functions***

It is recommended that the anomalies between the provisions of the Local Government Act and other legislation with regard to the provision of services at the District level should be resolved without delay, and the duties of DAs clarified. This will allow the DAs to be staffed by people with appropriate skills and to focus on raising revenues, as required for the delivery of services.

Increased responsibilities for DAs in respect of water and sewerage, electricity and roads should be considered, starting with the City and Municipal Districts. Further and fuller collaboration in the fields of education and health should also be considered in the future.

We recommend that a review be undertaken of the dual system of responsibility, under which capital expenditure is undertaken by the District Assembly and recurrent expenditure by the sectoral National Service.

#### ***8.7.2 Budgetary process***

In line with increased decentralisation of the powers of Districts, DAs should have increased freedom in setting their own budgets.

#### ***8.7.3 Cost Recovery Standards***

We recommend that the Ministry of Local Government and Rural Development establish performance standards for cost recovery, make the process much more transparent and provide strong political backing for DAs in this regard. Property rates are the most important source of funds. Three aspects require urgent attention: updating and maintaining the Valuation Roll; setting the Rate at an appropriate level; and implementing fearless and diligent cost recovery methods.

#### **8.7.4 Increased Political and Administrative Autonomy**

It is recommended that Government consider relaxing some of the controls from the centre with regard to control of the Districts, as listed in section 8.5 above.

#### **8.8 Long Term Recommendations**

Planning and land management operations should be strengthened. It is recommended that a thorough overhaul should be undertaken of the operations of the Lands Commission, the Survey Department and Department of Town and Country Planning to facilitate clarity on land ownership and identification; more efficient decision-making with regard to land matters; and prompter decisions with regard to development applications. Ultimately, the objective should be for all the data required for land management to be available at the District level.

#### **8.9 Conclusion**

It is impossible to summarise and conclude a work of this magnitude in a few paragraphs. We choose instead to merely point to the most striking aspects of the research, both in respect of their impact on Ghana, and of their interest for the wider community.

Decentralisation is, politically speaking, a risky business. On the one hand, local accountability and responsibility may bring substantial benefits in both political and management terms. On the other, there are risks of mal-administration and corruption. Technical competence may be low. There are substantial costs attached to the concept.

Ghana's policy in this matter has been cautious. While establishing District Assemblies, and even lower tier authorities, and while giving them guaranteed sources of capital funds, it has not trusted itself to give local autonomy in the field of staffing, to allow party politics in sub-national governments or to have freedom to establish local fees or charges. It retains control of all technical services at the centre, namely main roads, water and sewerage, electricity, education, health, forestry, fire prevention and police. It does not allow the Districts to award contracts worth more than 250 million cedis (about \$100,000). It has retained politically appointed District Chief Executives and 30% of the Assembly members. It has also placed Districts under the influence of the Regional Minister, and it has permitted with the frequent use of District funds for political purposes.

Whether the system is sustainable rests mainly on three points.

First, the scale of decentralisation is costly and complex to manage. There is approximately one Assembly Member per 2000 persons (or approximately 400 households at 5 persons/household). This extraordinarily high ratio gives the Members the opportunity to confer very closely with the electorate. In addition, for approximately every 1000 persons there is a unit committee of fifteen members, a ratio of 1 committee member per 60 persons (or 12 households). The appeal of serving on such a committee is limited, and it has not been easy to find the volunteers to stand for

election. It is too early to see whether the system is sustainable. The verdict is also still out on the intermediate level (the zonal/town/area committees), as funding has not yet been found for the staffing and offices. The roles of the two lower levels remain to be defined in practice.

Second, questions remain with regard to the sustainability of revenue arrangements. There have been indications in the recent past that Government may not be able to sustain the levels of contributions that it makes to the Districts, either through the ceded revenues or the Common Fund. The symptom, in relation to the latter, has been late payments. Although the Fund may receive its constitutionally guaranteed payment of 5% of the budget, late payments mean that actual levels of transfer within a specific calendar year are lower. Government's direct contributions to the Districts, in terms of staffing, are also showing signs of difficulty. The replacement of officers who are transferred or retired is slow or deferred indefinitely due to an appointment freeze. These trends could continue or even worsen. Local revenue sources are very limited, and, in most cases, they have little scope for a significant increase.

Finally, the payment and management of staff remain matters of future uncertainty. The impact of the proposed Local Government Council and the implications of a new system for salary levels and conditions of service remain to be seen. However, it is clear from the drafting of the Act that the Government will retain firm control of the Service. It is not clear whether the new service will be able to address the present shortages of staff in the technical cadres or whether structures will be found to make the staff more accountable to the Districts.

The difficulties described above, as far as sustainability is concerned, should not be seen to detract from Ghana's achievement. It has established a system that has worked increasingly well over a period of almost a decade and has provided a level of sustained development and administration at the District level which deserves serious attention. The system is under continuous review and appraisal by the Government, which will, it is hoped, be able gradually to increase local autonomy in the administrative, fiscal and political senses.

### *Management reforms*

There are two future developments under consideration for management reform. The one closest to realisation is the development of a separate Local Government Service. Legislation for this has been drafted, and it is expected to be enacted in 1999.

Second, there are plans to develop a composite budget, which will integrate the budgets of all Government Departments in the Districts under that of the District Assembly and will end the current system of paying the staff in the Districts through their parent Ministry.

In addition, a number of initiatives have been adopted by the Civil Service to develop the capacity of all key public service organisations through the Civil Service Performance Improvement Programme, the National Institutional Renewal Programme and the Public Financial Management Reform Programme. Under these programmes, DAs are expected, among other things, to establish Capacity Development Teams to

review their administrative procedures, and improve their budgetary, financial management and reporting systems to ensure transparency and improved financial management. It is too early to tell what results these initiatives will have.

A Local Government Training College has been established, with branches in Accra and Tamale. This should address some of the needs of the present Assemblies with regard to training. However, it is not known what type of training will be offered through the College or what percentage of the staff might be expected to benefit.

A number of important difficulties exist.

The first relates to technical competence. By not giving DAs responsibility for infrastructure and service provision, the Government has recognised the DAs' lack of technically qualified personnel. Indeed, only 22 of the 110 Districts have an engineer, let alone the capacity to design and manage projects. Even in matters such as the preparation of a District Development Plan, which was required of all Districts in 1997 and for which the National Development Planning Commission has provided staff to all Districts, the actual plans were prepared by consultants in almost all cases.<sup>52</sup>

The second problem concerns discipline. Recognising that political interference is a problem with most public service appointments in most countries, we should nevertheless recognise that the system in Ghana permits more of it than other systems. This is because supervision and accountability are split between the central and District Governments; it is difficult to establish job performance norms in such a highly diversified system as the District Assembly, which has 22 Departments. This can create a system of low morale and productivity.

The third problem is the matter of the balance of posts in relation to local needs. The present, largely standardised distribution of posts among the Districts may not reflect local needs and priorities.

The fourth is the matter of accountability. Some doubts must be expressed about the present system, whereby staffs are not accountable to or paid by the Districts. It can be reflected in discipline problems, as discussed above, but can equally be reflected in a very inefficient use of staff resources.

Fifth, is the issue of the salary levels, conditions of service and provisions for the welfare of officers (such as housing). Present arrangements do not recognise the comparatively harsh conditions prevailing in some Districts, which have caused outright defiance of orders to transfer to such posts. This is clearly an unacceptable situation.

Finally, there is the question of training. It is strongly felt that the existing Civil Service training, which is theoretically available to DA staff (but has, in practice, been discontinued) is inadequate. There is no incentive for DAs to train staff members and

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<sup>52</sup> At a comparatively high cost and comparatively low competence, it is said.

little interest within the Office of the Head of the Civil Service in making other arrangements.

Whether the introduction of a Local Government Service will address these issues is hard to tell. It is hoped that it will make local loyalties stronger, and introduce compensation for hardship posts. These alone could make a significant difference to the effectiveness of District Administrations.

Other reforms are in progress in the field of public administration in Ghana. Although these are directed primarily at Central Government, they are expected to have an impact on SNGs. The most important of these is the CSPIP. The other move is to strengthen the decentralisation concept by unifying the budget of all Departments at the District level. The Ministry of Local Government and Rural Development has already issued instructions in this respect. However, it appears that the Ministry of Finance does not consider the time right for such a radical move, and unified budgets have not yet been developed.

## **CHAPTER NINE**

### **THE NATIONAL WORKSHOP**

#### **9.1 Introductory Remarks**

The findings of the this report on Fiscal Decentralisation and Sub-National Finance in Relation to Infrastructure and Service Provision was presented to the key national stakeholders at a National Workshop at the Coconut Grove Hotel in Elmina, 17 -19 September 1999.

The workshop attracted more than sixty participants. In attendance was the Minister for Local Government and Rural Development (MLGRD), Hon. Kwamena Ahwoi, and other key representatives of MLGRD and the Ministry of Finance. Other participants included the Chairmen of the Public Accounts and Finance Committees of Parliament; staff of the Office of Head of Civil Service; the Administrator of the District Assembly Common Fund; five officials each from the six sampled District Assemblies, namely Accra Metropolitan, Tamale and Cape Coast Municipalities, Suhum-Kraboia-Coaltar and Tano and Asante-Akim North districts; the Institute of Local Government Studies; the University of Ghana; the World Bank; NALAD; USAID; CIDA; and DANIDA. The workshop was opened by the Hon. Minister Kwamena Ahwoi and closed by the Chairman of the Public Accounts Committee of Parliament, Hon. J. H. Mensah.

The primary objective of the workshop was to provide a forum for stakeholders to review and discuss the finding of the study and through this process:

- generate inputs from stakeholders toward strengthening the decentralisation process;
- offer opportunities for the MLGRD and other stakeholders to share ideas, assess the performance of the fiscal decentralisation process and make necessary adjustments; and
- sensitise stakeholders to the problems associated with the fiscal decentralisation process and the need to address these problems.

The workshop process consisted of:

- an opening session, with remarks by representatives of CDD, DANIDA and USAID and an opening address by the Honourable Minister of MLGRD;
- two context-setting presentations: an overview of the study and an overview of the Ghanaian decentralisation experience;
- four presentations on various aspects of the study including finances of the public sector, infrastructure and service provision, the regulatory environment, and the institutional environment; and
- group discussions and plenary presentations on (a) the findings and conclusions of the study and (b) recommendations and strategies. There were three main groups dealing with (i) finances (ii) infrastructure and service provision; and (iii) the regulatory and institutional framework.

Discussion of the findings and recommendations of the research, organised in three working groups, followed the presentation of the research. The discussions focused on several important issues relating to the functioning of the district assemblies. The workshop concluded with the adoption of the findings and recommendations contained in section 9.2 below.

## 9.2 Focal points regarding findings and recommendations of the National Workshop

<b>Main Findings</b>	<b>Recommendations</b>
<p><b>1 Access to critical information and data</b></p> <p>1.1. The problem of access to critical information on public financial management and infrastructure, and discrepancies in data, impede public study and informed decision-making on fiscal decentralisation and sub-national financing at all levels.</p>	<p>1.1. The government should, with minimum delay, ensure easy access to public information.</p> <p>1.2. Discrepancies in data provided by various research institutions may not be peculiar; however, such institutions (ISSER, DACF and MLGRD) should endeavour to provide accurate data.</p>
<p><b>2. Multiplicity of Public Sector Providers of Infrastructure and Services</b></p> <p>2.1 The responsibility for infrastructure and service provision is complicated by the multiplicity of providers, most of which are public organisations. The situation is either based on existing laws or organisational attitudes and position of “territoriality”.</p>	<p>2.1 The MLGRD should review the provisions in the laws establishing the district assemblies for collaboration with bodies such as Highway Authority, Electricity, Feeder Roads and Ghana Water Company for streamlining.</p> <p>2.2 A “political ideology of decentralisation” must be fostered to facilitate attitudinal change on the part of Public Enterprises.</p>
<p><b>3. Promotion of Private-Public Partnerships at the District Levels</b></p> <p>3.1 The private-public partnerships are in two main areas: service delivery (e.g., waste management) and revenue collection. There is the need to create an enabling environment for the private sector in districts.</p>	<p>3.1. An enabling environment should be created at the district level to attract the private sector.</p> <p>3.2. Although the cost may be prohibitive, assemblies should consider the prospects for engaging consultants to design appropriate prospectus for participating in capital market and other forms of private sector engagement.</p> <p>3.3. The pioneering work of ILGS in public-private sector partnerships at the district levels should be encouraged.</p> <p>3.4. The state of limited literacy on the subject of fiscal decentralisation should be addressed by making information on the subject easily available and through public education.</p>
<p><b>4. Financial Managerial Capacity and Local Revenue Generation at the District Level</b></p> <p>4.1. The financial management capacity at the district level is found to be “lamentably weak”. Weaknesses were observed in accounting, auditing and</p>	<p>4.1. The new Institute of Local Government Studies (ILGS) should devote attention to training programs for these operatives, internal auditor and fi-</p>

<p>budgeting skills.</p> <p>4.2. There is apparent lack of interest among assembly members in assisting local revenue mobilisation and expansion.</p> <p>4.3. The taxing capacity and performance of the Assemblies was found to be very low. Sensitivity to taxation was quite high, perhaps due to low per capita income levels.</p> <p>4.4. Sources of finance and contributions in the form of infrastructure and services are not fully captured.</p> <p>4.5. The value of such contributions as those of NGOs, citizens and residents are often not included or disclosed.</p>	<p>financial controllers.</p> <p>4.2. District Assemblies should take responsibility for training and capacity building of staff.</p> <p>4.3. The Assemblies should improve mechanisms for taxation, especially on property. Property rating practices and evaluation lists should be re-examined.</p> <p>4.4. The Assemblies should seek ways to capture the revenue contributions from non-conventional sources.</p> <p>4.5. Assemblies should be educated and sensitised to dispel the notion that the DACF is the ultimate source of revenue. They should develop interest in funds and revenue mobilisation from multiple sources.</p> <p>4.6. The Assemblies should update and upgrade their sources of revenue and database.</p>
<p><b>5. Building the capacity of Assemblies – Technocrats and Members</b></p> <p>5.1. The Assemblies lack technocratic capacity and integration of departments. Decentralised departments continue to report to the regional levels and get their financial encumbrances the same way.</p> <p>5.2. There is lack of cohesion, and this affects the responsiveness to needs and problems.</p>	<p>5.1. The ILGS should expand its pioneering series of induction courses from 15 districts to include all districts.</p> <p>5.2. The electorate should be encouraged to elect persons who can perform effectively at the DA level.</p> <p>5.3. The Assemblies should develop comprehensive strategies for recruitment and training of skilled officers.</p>
<p><b>6. Resources and Assembly Capacity for Planning Functions</b></p> <p>6.1. The resources available for district administrations to undertake the range of responsibilities are woefully inadequate.</p> <p>6.2. There is disparity between the planning functions of the assemblies and the resources available for implementation.</p>	<p>6.1. Sector ministries and government departments and agencies that have resource relations with the assemblies should provide such resources in a transparent manner.</p> <p>6.2. Private sector resource inputs should be clear.</p>
<p><b>7. The Decentralisation Process, Responsibilities and the provision of infrastructure and services</b></p> <p>7.1. Although the role of the DCE is intended to be a strong focal point to co-ordinate affairs, currently there is danger that DCEs will have more power concentrated in their hands (i.e., the mode of appointment and the possible partisan politics through this person and the appointed members).</p> <p>7.2. Given the assemblies' level of dependence on Central Government for financing, there is always the danger of the latter "directing" them.</p> <p>7.3. Implementing the constitutional provisions for a non-partisan local government working in relation to a partisan national legislature and executive creates difficulties for effective decentralisation.</p> <p>7.4. The MLGRD seems to have a "super-ministry" status; its statutory functions require it to promote the decentralisation process within each sector ministry.</p>	<p>7.1. The District Assemblies should develop the confidence to take decisions relating to revenue generation and allocation. Confidence building also include awareness of members' powers such as the "non-confidence vote" to remove the DCE.</p> <p>7.2. Considering the low financial management capacity and the possible self-interest of some assembly members, there is the need for some guidance from Central Government to ensure the appropriate and systematic use of funds.</p> <p>7.3. Efforts should be made to strike a fair balance between the unitary state and the decentralised sub-national governments.</p> <p>7.4. There should be education at the district level on the emerging Local Government Service Bill – particularly its impact on health, education,</p>

<p>7.5. The District Assemblies seem ignorant of the proposed Local Government Service Bill and its full implications.</p>	<p>forestry, etc. The staff and heads of decentralised departments should be educated to develop the appropriate attitudes for effective implementation.</p> <p>7.5 The MLGRD should consider a time-frame for the decentralisation exercise and its own co-ordinating role. Earlier efforts to develop a phased program should be re-activated with the full collaboration of all other sector ministries.</p>
<p><b>8. Perception of Corruption</b></p> <p>8.1. There is strong perception of corruption among public officials at the districts.</p> <p>8.2. Charges were rife that officials collude with the private sector in fraudulent deals.</p>	<p>8.1. Even though hard evidence of official corruption is difficult to come by, it is highly recommended that anti-corruption programs be undertaken, at least, to dispel the public perception.</p> <p>8.2. Awards of contracts should be transparent.</p> <p>8.3 There should be a mechanism to ensure public accountability for all district projects.</p>
<p><b>9. Co-ordination and co-operation with donors</b></p> <p>9.1. Most capital projects are donor-funded. These projects are usually controlled and implemented by the Central Government, with little or no involvement of the Assemblies.</p> <p>9.2. Co-ordination among the providers of ISP is ineffective.</p>	
<p><b>10. Enhancing the Financial Standing of the Assemblies</b></p> <p>10.1. The Assemblies have weak financial standing and lack credit-worthiness.</p>	<p>10.1. The registration of businesses by the Internal Revenue Service should be ceded to the Assemblies.</p> <p>10.2. Revenue from hotels and other special services should be ceded to the Assemblies.</p> <p>10.3. Assemblies should consider acquiring landed properties to enhance their credit-worthiness.</p> <p>10.4. Section 88 of Act 462 should be reviewed to increase the amount allocated.</p> <p>10.5 Assemblies should institute proper and modern financial systems, with adequate internal controls.</p>





	<b>Summary of Total Public Revenue and Expenditure (1990 -1996) (Billion cedis)</b>						<b>Appendix 4.1.1</b>
	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
Revenue	247.52	360.21	340.53	661.53	1,139.18	1,987.54	2,096.83
Expenditure	263.97	327.60	508.60	774.55	1,143.94	1,780.43	2,716.40
Surplus/Deficit	-16.45	32.61	-168.07	-113.02	-4.76	207.11	-619.57

<b>Source:</b> Bank of Ghana						
	<b>Share of sub-national Governments in Public Expenditure and GDP (1993-96) (Billion cedis)</b>					<b>Appendix 4.1.2</b>
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>		
Total population	16,486,560	17,014,129	17,558,581	18,120,456		
GDP	3,873	3,999	4,160	4,351		
Total public expenditure *	774.55	1,143.94	1,780.43	2,716.40		
Total sub-national Government Exp**			71.12	112.44		
Sub-national exp as % of total public expenditure	N/A	N/A	3.99	4.14		
Sub-national exp as % GDP	N/A	N/A	1.71	2.58		
* Central government and sub-national government combined						
** Total sub-national governments refer to all 110 District Assemblies						

<b>Source:</b> Bank of Ghana for National figures and MLGRD for Sub-national government figures.							
<b>Share of sub-national Governments in Public Revenue and GDP (1993-96) (Billion cedis)</b>							<b>Appendix 4.1.3</b>
	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>			
Total population	16,486,560	17,014,129	17,558,581	18,120,456			
GDP	3,873	3,999	4,160	4,351			
Total public revenue *	661.53	1,139.18	1,987.54	2,096.83			
Total sub-national Government Rev**			74.11	110.19			
Sub-national rev as % of total public			3.73	5.25			
Sub-national rev as % GDP			1.78	2.53			
* Central government and sub-national government combined							

** Total sub-national governments refer to all 110 District Assemblies							
Source: Bank of Ghana for national figures and MLGRD for sub-national government figures.							
	Public Sector Debt (Billion Cedis)						Appendix 4.1.4
	1990	1991	1992	1993	1994	1995	1996
<b>STRUCTURE</b>							
Government stocks	25.456	28.201	46.845	124.154	97.518	111.217	109.075
Ways and means	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Treasury bills	27.198	18.653	38.991	57.280	89.945	176.296	626.296
Treasury bonds	0.115	0.115	0.115	0.115	0.115	0.115	0.115
Bearer bonds	0.150	0.150	0.150	0.150	0.150	0.150	0.150
Compensatory Stocks	0.004	0.004	0.004	0.004	0.004	0.004	0.004
Development bonds	0.006	0.006	0.006	0.006	0.006	0.006	0.006
Loans from COCOBOD	0.021	0.021	0.021	0.021	0.021	0.021	0.021
Loans from Railways and Ports	0.009	0.009	0.009	0.009	0.009	0.009	0.009
Net credit to Government	0.000	0.000	36.735	0.000	52.058	152.868	0.000
Long term Government Stocks	0.000	0.000	0.000	434.901	434.901	434.901	590.741
Others	1.004	1.004	0.000	0.000	0.000	0.000	0.000
<b>Total</b>	<b>53.962</b>	<b>48.163</b>	<b>122.875</b>	<b>616.638</b>	<b>674.726</b>	<b>875.586</b>	<b>1,326.416</b>
<b>HOLDINGS</b>							
Bank of Ghana	13.691	16.667	51.277	450.539	450.552	611.617	620.856
Commercial banks	9.518	0.858	0.280	0.275	0.275	0.275	74.125
SSNIT	15.713	18.430	32.261	94.525	78.325	70.365	54.925
Others	15.040	12.208	39.057	71.299	145.574	193.329	576.510
<b>Total</b>	<b>53.962</b>	<b>48.163</b>	<b>122.875</b>	<b>616.638</b>	<b>674.726</b>	<b>875.586</b>	<b>1,326.416</b>
Source: Bank of Ghana							



	All Sampled Sub-national Governments: Revenue and Expenditure (1990 -1996) (Billion cedis)			Appendix 4.2.1.1
	1994	1995	1996	
1. Total public expenditures	1,143.94	1,780.43	2,716.40	
2. Total public revenues	1,139.18	1,987.54	2,096.83	
3. Total public capital expenditure	173.86	302.62	605.15	
4. Total public recurrent expenditure	833.33	1,186.21	1,998.80	
5. Total public debt service	230.15	328.78	579.28	
6. Total public borrowing	674.73	875.59	1,326.42	
7. Total sampled sub-national expenditures	5.23	11.40	22.74	
8. Percentage of national (1)	0.46	0.64	0.84	
9. Percentage of sub-national expenditure	N/A	16.03	20.22	
10.Total sampled sub-national revenues	5.32	10.37	15.73	
11.Percentage of national (2)	0.47	0.52	0.75	
12.Percentage of sub-national revenues	N/A	13.99	14.28	
13.Total sampled sub-national capital exp.	1.70	5.94	14.21	
14. Percentage of national (3)	0.98	1.96	2.35	
15.Percentage of sub-national capital exp	N/A	11.57	18.25	
16.Total sampled sub-national recurrent exp	3.54	5.45	8.53	
17.Percentage of national (4)	0.42	0.46	0.43	
18.Percentage of sub-national recurrent exp	N/A	27.63	24.66	
19.Total of sampled sub-national debt service	0.00	0.00	0.00	
20.Percentage of national (5)	0.00	0.00	0.00	
21.Total of sampled sub-national borrowing	0.00	0.00	0.00	
22.Percentage of national (6)	0.00	0.00	0.00	
Note: 1994 figures exclude that of Suhum District Assembly for which data is unavailable. Suhum is a newly created District.				
<b>Source:</b> MLGRD				



	Total sub-national recurrent expenditures: Accra Metropolitan Assembly (Billion cedis)					Appendix 4.2.2.2
	1994	1995	1996	1997		
1. Total public expenditure	1,143.94	1,780.43	2,716.40	N/A		
1. Total public recurrent expenditure	833.33	1,186.21	1,998.80	N/A		
3. Total AMA recurrent expenditure	3.07	4.71	7.28	8.35		
4. Share of total public expenditure (%)	0.27	0.26	0.27	N/A		
5. Share of public recurrent expenditure (%)	0.37	0.40	0.36	N/A		
General public services: total	2.1000	3.4000	5.3000	6.5000		
Wage expenditure	1.4700	2.3800	3.7100	4.5500		
Non-wage expenditure	0.6300	1.0200	1.5900	1.9500		
Education: total	0.0090	0.0003	0.7900	0.1300		
Wage expenditure	0.0068	0.0002	0.5925	0.0975		
Non-wage expenditure	0.0023	0.0001	0.1975	0.0325		
Health:total	0.0139	0.0197	0.4290	0.6790		
Wage expenditure	0.0090	0.0128	0.2789	0.4414		
Non-wage expenditure	0.0049	0.0069	0.1502	0.2377		
Social security and welfare: total	0.0066	0.0087	0.0066	0.1180		
Wage expenditure	0.0056	0.0074	0.0056	0.1003		
Non-wage expenditure	0.0010	0.0013	0.0010	0.0177		
Housing: total	N/A	N/A	N/A	N/A		
Wage expenditure	N/A	N/A	N/A	N/A		
Non-wage expenditure	N/A	N/A	N/A	N/A		
Community amenities:total	N/A	0.9560	0.0744	0.0497		
Wage expenditure	N/A	0.7170	0.0558	0.0373		
Non-wage expenditure	N/A	0.2390	0.0186	0.0124		
Recreation, culture, religious: total	0.0001	0.0001	0.0100	0.0082		
Wage expenditure	0.0000	0.0001	0.0090	0.0074		
Non-wage expenditure	0.0000	0.00001	0.0010	0.0008		
Economic services: total	N/A	0.0006	0.00007	0.00004		
Wage expenditure	N/A	0.0005	0.00006	0.00003		
Non-wage expenditure	N/A	0.0001	0.00001	0.00001		
Other tasks, e.g. police wage: total	0.9400	0.3250	0.6730	0.8700		
Wage expenditure	0.8460	0.2925	0.6057	0.7830		
Non-wage expenditure	0.0940	0.0325	0.0673	0.0870		
MLGRD and the sample Assemblies claim that there are no wage expenditures in the amount spent on education, health etc. Wherever <b>Other Tasks</b> appears as in the above table and the preceeding ones, it accounts for various expenditure which include protocol expenses, miscellaneous, entertainment etc.,						
Source: BOG for national figures and AMA (The breakdowns into wage/non-wage are consultants estimates)						

	Total sub-national recurrent expenditures: West Dagomba Municipal Assembly (Billion cedis)				Appendix 4.2.2.3
	1994	1995	1996	1997	
1. Total public expenditure	1,143.94	1,780.43	2,716.40	N/A	
1. Total public recurrent expenditure	833.33	1,186.21	1,998.80	N/A	
3. Total West Dagomba recurrent expenditure	0.1434	0.2232	0.3419	0.7387	
4. Share of total public expenditure (%)	0.0125	0.0125	0.0126	N/A	
5. Share of public recurrent expenditure (%)	0.0172	0.0188	0.0171	N/A	
General public services: total	0.1310	0.1740	0.2970	0.4070	
Wage expenditure	0.0917	0.1218	0.2079	0.2849	
Non-wage expenditure	0.0393	0.0522	0.0891	0.1221	
Education: total	N/A	N/A	0.0005	N/A	
Wage expenditure	N/A	N/A	0.0001	N/A	
Non-wage expenditure	N/A	N/A	0.0004	N/A	
Health:total	0.0003	0.0011	0.0003	N/A	
Wage expenditure	0.0002	0.0007	0.0002	N/A	
Non-wage expenditure	0.0001	0.0004	0.0001	N/A	
Social security and welfare: total	N/A	N/A	N/A	N/A	
Wage expenditure	N/A	N/A	N/A	N/A	
Non-wage expenditure	N/A	N/A	N/A	N/A	
Housing: total	N/A	N/A	N/A	N/A	
Wage expenditure	N/A	N/A	N/A	N/A	
Non-wage expenditure	N/A	N/A	N/A	N/A	
Community amenities:total	0.0010	0.0149	0.0126	0.0070	
Wage expenditure	0.0008	0.0046	0.0095	0.0062	
Non-wage expenditure	0.0003	0.0103	0.0031	0.0007	
Recreation, culture, religious: total	N/A	N/A	0.0100	N/A	
Wage expenditure	N/A	N/A	0.0090	N/A	
Non-wage expenditure	N/A	N/A	0.0010	N/A	
Economic services: total	0.0004	0.0007	0.0021	0.0008	
Wage expenditure	0.0003	0.0006	0.0017	0.0006	
Non-wage expenditure	0.0001	0.0001	0.0004	0.0002	
Other tasks, e.g. police: total	0.0108	0.0325	0.0194	0.3240	
Wage expenditure	0.0097	0.0293	0.0175	0.2916	
Non-wage expenditure	0.0011	0.0033	0.0019	0.0324	
<b>Source:</b> BOG for national figures and West DagombaAssembly for District figures.					

	Total sub-national recurrent expenditures: Suhum District Assembly (Billion cedis)					Appendix 4.2.2.4
	1995	1996	1997			
1. Total public expenditure	1,780.43	2,716.40	N/A			
2. Total public recurrent expenditure	1,186.21	1,998.80	N/A			
3. Total Suhum recurrent expenditure	0.1377	0.2068	0.2450			
4. Share of total public expenditure (%)	0.0077	0.0076	N/A			
5. Share of public recurrent expenditure (%)	0.0116	0.0103	N/A			
General public services: total	0.1090	0.1770	0.2150			
Wage expenditure	0.0760	0.1240	0.1505			
Non-wage expenditure	0.0330	0.0530	0.0645			
Education: total	N/A	N/A	N/A			
Wage expenditure	N/A	N/A	N/A			
Non-wage expenditure	N/A	N/A	N/A			
Health:total	N/A	N/A	N/A			
Wage expenditure	N/A	N/A	N/A			
Non-wage expenditure	N/A	N/A	N/A			
Social security and welfare: total	0.00007	0.00074	0.00173			
Wage expenditure	0.00006	0.00063	0.00147			
Non-wage expenditure	0.00001	0.00011	0.00026			
Housing: total	N/A	N/A	N/A			
Wage expenditure	N/A	N/A	N/A			
Non-wage expenditure	N/A	N/A	N/A			
Community amenities:total	N/A	N/A	N/A			
Wage expenditure	N/A	N/A	N/A			
Non-wage expenditure	N/A	N/A	N/A			
Recreation, culture, religious: total	N/A	N/A	N/A			
Wage expenditure	N/A	N/A	N/A			
Non-wage expenditure	N/A	N/A	N/A			
Economic services: total	N/A	N/A	N/A			
Wage expenditure	N/A	N/A	N/A			
Non-wage expenditure	N/A	N/A	N/A			
Other tasks, e.g. police wage: total	0.0286	0.0291	0.0283			
Wage expenditure	0.0257	0.0262	0.0255			
Non-wage expenditure	0.0029	0.0029	0.0028			
<b>Source:</b> Bank of Ghana for national figures and Suhum Assembly for District figures						

	Total sub-national recurrent expenditures: Cape Coast District Assembly (Billion cedis)					Appendix 4.2.2.5
	1994	1995	1996	1997		
1. Total public expenditure	1,143.94	1,780.43	2,716.40	N/A		
2. Total public recurrent expenditure	833.33	1,186.21	1,998.80	N/A		
3. Total Cape Coast recurrent expenditure	0.1982	0.1878	0.2319	0.2440		
4. Share of total public expenditure (%)	0.0173	0.0105	0.0085	N/A		
5. Share of public recurrent expenditure (%)	0.0238	0.0158	0.0116	N/A		
General public services: total	0.1580	0.1520	0.2319	0.2414		
Wage expenditure	0.1110	0.1060	0.1623	0.1690		
Non-wage expenditure	0.0470	0.0460	0.0696	0.0724		
Education: total	N/A	N/A	N/A	N/A		
Wage expenditure	N/A	N/A	N/A	N/A		
Non-wage expenditure	N/A	N/A	N/A	N/A		
Health:total	0.00004	0.00005	N/A	0.00114		
Wage expenditure	0.00002	0.00003	N/A	0.00074		
Non-wage expenditure	0.00001	0.00002	N/A	0.00040		
Social security and welfare: total	0.00010	0.00023	N/A	0.00037		
Wage expenditure	0.00008	0.00020	N/A	0.00031		
Non-wage expenditure	0.00001	0.00003	N/A	0.00005		
Housing: total	N/A	N/A	N/A	N/A		
Wage expenditure	N/A	N/A	N/A	N/A		
Non-wage expenditure	N/A	N/A	N/A	N/A		
Community amenities:total	0.0160	0.0126	N/A	N/A		
Wage expenditure	0.0120	0.0094	N/A	N/A		
Non-wage expenditure	0.0040	0.0031	N/A	N/A		
Recreation, culture, religious: total	N/A	N/A	N/A	N/A		
Wage expenditure	N/A	N/A	N/A	N/A		
Non-wage expenditure	N/A	N/A	N/A	N/A		
Economic services: total	N/A	N/A	N/A	N/A		
Wage expenditure	N/A	N/A	N/A	N/A		
Non-wage expenditure	N/A	N/A	N/A	N/A		
City Plans, Works & Department :Total	N/A	N/A	N/A	N/A		
Wage expenditure	N/A	N/A	N/A	N/A		

Non-wage expenditure	N/A	N/A	N/A	N/A			
Other tasks, e.g. police wage: total	0.0241	0.0230	N/A	0.0011			
Wage expenditure	0.0217	0.0207	N/A	0.0009			
Non-wage expenditure	0.0024	0.0023	N/A	0.0001			
<b>Source:</b> Bank of Ghana for national figures and Cape Coast Assembly for District figures							
<b>Total sub-national recurrent expenditures:Asante Akim North Assembly (Billion cedis)</b>							<b>Appendix 4.2.2.6</b>

	1994	1995	1996	1997			
1. Total public expenditure	1,143.94	1,780.43	2,716.40	N/A			
1. Total public recurrent expenditure	833.33	1,186.21	1,998.80	N/A			
3. Total Asante Akim North recurrent expenditure	0.0557	0.0959	0.1614	0.2076			
4. Share of total public expenditure (%)	0.0049	0.0054	0.0059	N/A			
5. Share of public recurrent expenditure (%)	0.0067	0.0081	0.0081	N/A			
General public services: total	0.0467	0.0716	0.1309	0.1584			
Wage expenditure	0.0327	0.0501	0.0916	0.1109			
Non-wage expenditure	0.0140	0.0215	0.0393	0.0475			
Education: total	0.00025	0.00704	0.00329	0.01562			
Wage expenditure	0.00019	0.00528	0.00247	0.01171			
Non-wage expenditure	0.00006	0.00176	0.00082	0.00390			
Health:total	0.000013	0.000060	0.000030	0.001984			
Wage expenditure	0.00001	0.00004	0.00002	0.00129			
Non-wage expenditure	0.000005	0.00002	0.00001	0.00069			
Social security and welfare: total	N/A	N/A	N/A	N/A			
Wage expenditure	N/A	N/A	N/A	N/A			
Non-wage expenditure	N/A	N/A	N/A	N/A			
Housing: total	N/A	N/A	N/A	N/A			
Wage expenditure	N/A	N/A	N/A	N/A			
Non-wage expenditure	N/A	N/A	N/A	N/A			
Community amenities:total	0.0020	0.0011	0.0039	0.0028			
Wage expenditure	0.0015	0.0008	0.0030	0.0021			
Non-wage expenditure	0.0005	0.0003	0.0010	0.0007			
Recreation, culture, religious: total	N/A	N/A	N/A	N/A			
Wage expenditure	N/A	N/A	N/A	N/A			
Non-wage expenditure	N/A	N/A	N/A	N/A			
Economic services: total	0.0005	0.0022	0.0013	0.0016			
Wage expenditure	0.0004	0.0018	0.0011	0.0012			
Non-wage expenditure	0.0001	0.0004	0.0003	0.0003			
Other tasks, e.g. police: total	0.0062	0.0139	0.0220	0.0272			
Wage expenditure	0.0056	0.0125	0.0198	0.0245			
Non-wage expenditure	0.0006	0.0014	0.0022	0.0027			
<b>Source:</b> BOG for national figures and Asante Akim North Assembly for District figures.							

	Total sub-national recurrent expenditures: Tano District Assembly (Billion cedis)				Appendix 4.2.2.7
	1994	1995	1996	1997	
1. Total public expenditure	1,143.94	1,780.43	2,716.40	N/A	
1. Total public recurrent expenditure	833.33	1,186.21	1,998.80	N/A	
3. Total Tano recurrent expenditure	0.0687	0.1080	0.3035	0.3839	
4. Share of total public expenditure (%)	0.0060	0.0061	0.0112	N/A	
5. Share of public recurrent expenditure (%)	0.0082	0.0091	0.0152	N/A	
General public services: total	0.0585	0.0879	0.2690	0.3410	
Wage expenditure	0.0410	0.0615	0.1883	0.2387	
Non-wage expenditure	0.01756	0.02636	0.08070	0.10230	
Education: total	0.00029	0.00038	0.00038	0.00180	
Wage expenditure	0.00022	0.00029	0.00028	0.00135	
Non-wage expenditure	0.00007	0.00010	0.00009	0.00045	
Health:total	0.00017	0.00024	0.00034	0.00006	
Wage expenditure	0.00011	0.00015	0.00022	0.00004	
Non-wage expenditure	0.00006	0.00008	0.00012	0.00002	
Social security and welfare: total	N/A	0.00100	0.00012	N/A	
Wage expenditure	N/A	0.00085	0.00010	N/A	
Non-wage expenditure	N/A	0.00015	0.00002	N/A	
Housing: total	N/A	N/A	N/A	N/A	
Wage expenditure	N/A	N/A	N/A	N/A	
Non-wage expenditure	N/A	N/A	N/A	N/A	
Community amenities:total	0.0033	0.0028	0.0032	0.0014	
Wage expenditure	0.0025	0.0021	0.0024	0.0011	
Non-wage expenditure	0.0008	0.0007	0.0008	0.0004	
Recreation, culture, religious: total	0.00005	N/A	0.00031	0.00078	
Wage expenditure	0.00004	N/A	0.00028	0.00070	
Non-wage expenditure	0.00001	N/A	0.00003	0.00008	
Economic services: total	0.00002	0.00189	0.00105	0.00034	
Wage expenditure	0.00002	0.00151	0.00084	0.00027	
Non-wage expenditure	0.000004	0.00038	0.00021	0.00007	
Other tasks, e.g. police: total	0.0064	0.0138	0.0291	0.0385	
Wage expenditure	0.0057	0.0124	0.0261	0.0347	
Non-wage expenditure	0.0006	0.0014	0.0029	0.0039	
<b>Source:</b> BOG for national figures and TanoAssembly for District figures.					
Source: Tano District Assembly					



	<b>Total sub-national capital expenditures: Accra Metropolitan Assembly (Billion cedis)</b>				<b>Appendix 4.2.3.2</b>
	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	
Total public capital expenditure	173.86	302.62	605.15	N/A	
Total sub-national expenditure	N/A	71.12	112.44	135.30	
Total DA capital expenditure	1.4766	3.6165	6.9140	8.0298	
Share of DA capital expend in total sng (%)	N/A	5.09	6.15	5.93	
Share of DA capital exp in total public (%)	0.85	1.20	1.14	N/A	
1. General public services	0.0796	0.3420	1.1900	1.0000	
2. Education					
Pre-school	N/A	N/A	N/A	N/A	
Primary	0.0380	0.3980	0.6980	1.4400	
Secondary	N/A	N/A	N/A	N/A	
3. Health (rehab of slaughterhouse, const of health posts and rehab of cemeteries)	N/A	0.8930	1.1660	1.5289	
4. Social security and welfare	N/A	N/A	N/A	N/A	
5. Housing					
6. Community amenities					
Water suppl.	N/A	N/A	N/A	N/A	
Sewerage	N/A	N/A	N/A	N/A	
(const and rehab of toilets)					
Sanitation	N/A	0.0370	0.0560	0.3550	
Elect Distr	N/A	N/A	0.3500	0.0010	
Storm wtr	N/A	N/A	N/A	N/A	
7. Recreational, cultural, religious affairs	N/A	N/A	N/A	N/A	
8. Economic services					
Markets	0.1270	0.4160	0.5380	1.0620	
Transport	0.0020	0.0025	0.0460	0.1940	
Roads	1.2300	1.3600	2.8700	2.4400	
Energy	N/A	N/A	N/A	N/A	
9. Others (police etc)	N/A	0.1680	N/A	0.0089	
Source: AMA					





	<b>Total sub-national capital expenditures:Cape Coast Municipal Assembly (Billion cedis)</b>				<b>Appendix 4.2.3.5</b>
	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	
Total public capital expenditure	173.86	302.62	605.15	N/A	
Total sub-national expenditure	N/A	71.12	112.44	135.30	
Total DA capital expenditure	0.1209	0.6787	1.1328	0.9936	
Share of DA capital exp. in total sng (%)	N/A	0.95	1.01	0.73	
Share of DA capital exp in total public (%)	0.07	0.22	0.19	N/A	
1. General public services	0.1209	0.6787	0.0093	0.0185	
2. Education					
Pre-school	N/A	N/A	N/A	N/A	
Primary	N/A	N/A	0.4326	0.2418	
Secondary	N/A	N/A	N/A	N/A	
3. Health (rehab of slaughterhouse, const of health posts and rehab of cemeteries)	N/A	N/A	N/A	N/A	
4. Social security and welfare	N/A	N/A	N/A	N/A	
5. Housing	N/A	N/A	N/A	N/A	
6. Community amenities					
Water supply.	N/A	N/A	N/A	N/A	
Sewerage	N/A	N/A	N/A	N/A	
(const and rehab of toilets)					
Sanitation	N/A	N/A	0.0057	0.2945	
Elect Distr	N/A	N/A	N/A	N/A	
Solid waste manager	N/A	N/A	N/A	N/A	
7. Recreational, cultural, religious affairs	N/A	N/A	0.2411	N/A	
8. Economic services					
Markets	N/A	N/A	0.4407	0.0080	
Transport	N/A	N/A	N/A	N/A	
Roads	N/A	N/A	N/A	N/A	
Energy	N/A	N/A	N/A	N/A	
9. Others (police etc)	N/A	N/A	0.0034	0.4308	
Source:Cape Coast Municipal Assembly					

	<b>Total sub-national capital expenditures:Asante Akim North District Assembly (Billion cedis)</b>				<b>Appendix 4.2.3.6</b>
	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	
Total public capital expenditure	173.86	302.62	605.15	N/A	
Total sub-national expenditure	N/A	71.12	112.44	135.30	
Total DA capital expenditure	0.0789	0.4136	0.5856	0.4573	
Share of DA capital exp. in total sng (%)	N/A	0.58	0.52	0.34	
Share of DA capital exp in total public (%)	0.05	0.14	0.10	N/A	
1. General public services	0.0059	0.0835	0.0599	0.0655	
2. Education					
Pre-school	N/A	N/A	N/A	N/A	
Primary	N/A	0.0646	0.1398	0.1965	
Secondary	N/A	0.0828	0.0184	0.0039	
3. Health (rehab of slaughterhouse, const of health posts and rehab of cemeteries)	0.0241	0.0352	0.0561	0.0556	
4. Social security and welfare	N/A	N/A	N/A	N/A	
5. Housing	N/A	N/A	N/A	N/A	
6. Community amenities					
Water supply.	N/A	N/A	0.1024	0.0188	
Sewerage	N/A	N/A	N/A	0.0184	
(const and rehab of toilets)					
Sanitation	N/A	N/A	N/A	N/A	
Elect Distr	N/A	N/A	N/A	0.0052	
Solid waste manager	N/A	N/A	0.0077	N/A	
7. Recreational, cultural, religious affairs	N/A	N/A	N/A	N/A	
8. Economic services					
Markets	0.0455	0.0855	0.1282	0.0445	
Transport	0.0003	N/A	N/A	N/A	
Roads	0.0031	0.0510	0.0507	0.0380	
Energy	N/A	N/A	N/A	N/A	
9. Others (police etc)	N/A	0.0110	0.0224	0.0109	
Source: Asante Akim North District Assembly					

	Total sub-national capital expenditures:Tano District Assembly (Billion cedis)					Appendix 4.2.3.7
	1994	1995	1996	1997		
Total public capital expenditure	173.86	302.62	605.15	N/A		
Total sub-national expenditure	N/A	71.12	112.44	135.30		
Total DA capital expenditure	0.0205	0.4123	0.6382	0.5373		
Share of DA capital exp. in total sng (%)	N/A	0.58	0.57	0.40		
Share of DA capital exp in total public (%)	0.01	0.14	0.11	N/A		
1. General public services	0.0031	0.1114	0.1404	0.1092		
2. Education						
Pre-school	N/A	N/A	N/A	N/A		
Primary	0.0014	0.1477	0.2875	0.0790		
Secondary	N/A	N/A	N/A	0.0483		
3. Health (rehab of slaughterhouse, const of health posts and rehab of cemeteries)	N/A	0.0169	0.0423	0.0160		
4. Social security and welfare	N/A	N/A	N/A	N/A		
5. Housing	N/A	N/A	N/A	N/A		
6. Community amenities						
Water suppl.	N/A	N/A	N/A	N/A		
Sewerage	0.0044	0.1152	0.0206	0.0110		
(const and rehab of toilets)						
Sanitation	N/A	N/A	N/A	N/A		
Elect Distr	N/A	N/A	0.0236	0.0242		
Solid Waste Managen	N/A	N/A	N/A	N/A		
7. Recreational, cultural, religious affairs	N/A	N/A	N/A	N/A		
8. Economic services						
Markets	0.0002	0.0143	0.1009	0.2391		
Transport	N/A	N/A	N/A	N/A		
Roads	0.0059	0.0063	0.0056	0.0006		
Energy	N/A	N/A	N/A	N/A		
9. Others (police etc)	0.0055	0.0005	0.0173	0.0099		
Source:Tano District Assembly						











	Sub-national revenues: Asante Akim North District Assembly (Billion cedis)				Appendix 4.2.4 F	
	1994	1995	1996	1997		
<b>1. Total revenues</b>	<b>0.21</b>	<b>0.48</b>	<b>0.87</b>	<b>0.92</b>		
2. Total tax revenues	0.06	0.10	0.16	0.15		
3. Tax revenues as % of total	29.32	19.92	18.57	15.97		
4. Total shared tax revenues	0.01	0.02	0.02	0.00		
5. Shared tax revenues as % of total	5.62	3.85	2.40	0.00		
6. Total own-tax revenues	0.05	0.08	0.14	0.15		
7. Own-tax revenues as % of total	23.71	16.07	16.17	15.97		
8. Total user charges	0.02	0.02	0.03	0.04		
9. User charges as % of total	8.63	3.66	3.07	4.18		
10. Total revenues from single sources	0.00	0.00	0.00	0.00		
11. Single source revenue as % of total	0.00	0.00	0.00	0.00		
12. Total loans	0.00	0.00	0.00	0.00		
13. Loans as % of total	0.00	0.00	0.00	0.00		
<b>14. Total transfers</b>	<b>0.13</b>	<b>0.37</b>	<b>0.68</b>	<b>0.73</b>		
15. Transfers as % of total	62.05	76.42	78.36	79.85		
Source: Asante Akim North District Assembly						



	<b>Classification of Other Revenues: All sub-national Governments (Million cedis)</b>						<b>Appendix 4.2.4.2 A</b>		
	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>					
1. Total sub-national revenues	N/A	74114.00	110185.00	140375.00					
2. Sample sub-national revenues	5319.36	10365.63	15731.36	22942.34					
3. Sample sub-national user charges/fees	851.62	1399.91	2756.51	2159.82					
Percentage of sub-national revenues	<b>N/A</b>	<b>1.89</b>	<b>2.50</b>	<b>1.54</b>					
Percentage of sample sub-national revenues	16.01	13.51	17.52	9.41					
Source: MLGRD									

		<b>Classification of Other Revenues: Accra Metropolitan Assembly (Million cedis)</b>				<b>Appendix 4.2.4.2 B</b>	
		<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>		
<b><i>User fees and charges</i></b>	<b><i>Total</i></b>	<b><i>768.72</i></b>	<b><i>955.57</i></b>	<b><i>2,578.80</i></b>	<b><i>1,909.32</i></b>		
	Water supply	0.12	0.00	0.56	0.78		
	Sewerage	173.00	237.10	783.20	587.60		
	Sanitation	223.50	262.80	302.00	37.76		
	Roads	183.40	214.60	242.70	354.50		
	Education	0.00	1.47	1.24	1.88		
	Health	40.70	42.30	40.20	59.00		
	Market rents	94.50	169.40	274.80	322.60		
	Others	53.50	27.90	934.10	545.20		
	<b>Total</b>	<b>768.72</b>	<b>955.57</b>	<b>2,578.80</b>	<b>1,909.32</b>		
	<b>Total revenue</b>	<b>3,309.72</b>	<b>5,672.07</b>	<b>9,477.70</b>	<b>15,676.00</b>		
	<b>Percentage of total revenue</b>	<b>23.23</b>	<b>16.85</b>	<b>27.21</b>	<b>12.18</b>		
	Source:AMA						









		<b>Classification of Other Revenues: Tano District Assembly (Million cedis)</b>				<b>Appendix 4.2.4.2 G</b>			
		<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>				
<b><i>User fees and charges</i></b>	<b><i>Total</i></b>	<b><i>16.00</i></b>	<b><i>159.00</i></b>	<b><i>19.00</i></b>	<b><i>22.00</i></b>				
	Water supply	N/A	N/A	N/A	N/A				
	Sewerage	N/A	N/A	N/A	N/A				
	Sanitation	N/A	N/A	N/A	N/A				
	Roads	N/A	N/A	N/A	N/A				
	Education	N/A	N/A	N/A	N/A				
	Health	N/A	N/A	N/A	N/A				
	Market rents	N/A	N/A	N/A	N/A				
	Others	N/A	N/A	N/A	N/A				
	<b>Total</b>	<b><i>16.00</i></b>	<b><i>159.00</i></b>	<b><i>19.00</i></b>	<b><i>22.00</i></b>				
	Total revenue	288.27	655.40	951.93	930.65				
	Percentage of total revenue	5.55	24.26	2.00	2.36				
Source: Tano District Assembly									



	<b>Government Transfers to Accra Metropolitan Assembly (Million cedis)</b>							<b>Appendix 4.2.5 B</b>	
	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>					
Total Transfers	1640.00	3030.00	4630.00	9310.00					
Special transfers/ Salaries									
% of total transfers									
General grants									
% of total transfers									
Capital Grant	1121.90	1769.20	2779.40	2401.40					
% of total transfers	68.41	58.39	60.03	25.79					
Other transfers									
% of total transfers									
Table 4.2.5.A is not available due to lack of data.									
Source: Accra Metropolitan Assembly Assembly									







**Composition of revenues**
**Appendix 4.2.4.**

Aggregated for 1995

Item / Sample (Billion cedis)	Accra	West Dagomba	Suhum	Cape Coast	Asante Akim	Tano	TOTAL	Total in %
Shared Taxes	0.08	0.02	0.02	0.01	0.02	0.02	0.17	1.63
Own Taxes	1.61	0.08	0.08	0.07	0.08	0.11	2.02	19.44
User fees and charges	0.96	0.01	0.22	0.04	0.02	0.16	1.40	13.51
Transfers from central Govt.	3.03	1.64	0.68	0.70	0.37	0.37	6.78	65.42
<b>Total</b>	<b>5.67</b>	<b>1.75</b>	<b>0.99</b>	<b>0.82</b>	<b>0.48</b>	<b>0.66</b>	<b>10.37</b>	<b>100.00</b>

Aggregated for 1996

Item / Sample (Billion cedis)	Accra	West Dagomba	Suhum	Cape Coast	Asante Akim	Tano	TOTAL	Total in %
Shared Taxes	0.07	0.02	0.02	0.01	0.02	0.02	0.16	1.03
Own Taxes	2.20	0.09	0.04	0.06	0.14	0.26	2.80	17.81
User fees and charges	2.58	0.02	0.07	0.04	0.03	0.02	2.76	17.56
Transfers from central Govt.	4.63	1.35	1.53	1.18	0.68	0.66	10.02	63.80
<b>Total</b>	<b>9.48</b>	<b>1.47</b>	<b>1.66</b>	<b>1.30</b>	<b>0.87</b>	<b>0.95</b>	<b>15.73</b>	<b>100.19</b>

Aggregated for 1997

Item / Sample (Billion cedis)	Accra	West Dagomba	Suhum	Cape Coast	Asante Akim	Tano	TOTAL	Total in %
Shared Taxes			0.02	0.05			0.07	0.00
Own Taxes	4.46	0.11	0.10	0.02	0.15	0.12	4.95	22.00
User fees and charges	1.91	0.04	0.09	0.06	0.04	0.02	2.16	9.00
Transfers from central Govt.	9.31	2.17	1.64	1.14	0.73	0.79	15.77	69.00
<b>Total</b>	<b>15.68</b>	<b>2.31</b>	<b>1.84</b>	<b>1.27</b>	<b>0.92</b>	<b>0.93</b>	<b>22.95</b>	<b>100.00</b>

Total aggregated for 1995,1996 and 1997

Item / Sample (%)	1995	1996	1997
Shared Taxes	1.6	1.0	0
Own Taxes	19.4	17.8	22
User fees and charges	13.5	17.6	9
Transfers from central Govt.	65.4	63.6	69
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>