

**FISCAL DECENTRALIZATION AND LOCAL ECONOMIC
DEVELOPMENT: A CASE STUDY OF THE BUILSA NORTH
DISTRICT, GHANA.**

BY

ALBERT AGOABEY ANAMOGSI

(10240645)

**THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA,
LEGON IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR
THE AWARD OF MPhil PUBLIC ADMINISTRATION DEGREE.**

JULY, 2016

DECLARATION

I do hereby declare that this thesis is the result of my own research undertaken under supervision and has not been submitted in part or in full to this institution or any other institution for academic award. All citations and quotations have been identified and duly acknowledged. I bear sole responsibility for any shortcomings.

.....

ALBERT AGOABEY ANAMOGSI

.....

DATE



CERTIFICATION

This is to certify that this thesis was supervised in accordance with the laid down rules and procedures as required by the University of Ghana.


.....

RICHARDSON AZUNU (PhD)

(SUPERVISOR)

.....

DATE



DEDICATION

I dedicate this work to my lovely family especially my mother, Mrs. Azumah Anamogsi whose love and commitment has brought me this far and to Miss. Grace Anamogsi, Mrs. Valeria Avani and my daughter Miss. Jean Akankpabwon Anamogsi.



ACKNOWLEDGEMENT

I am highly grateful to Almighty God in whose grace I have been sustained throughout from the beginning to today. I also thank my family for praying for me all the time.

I am indebted to all those who have contributed to the accomplishment of this work. I would also give special thanks to my supervisor, Dr. Richardson Azunu who kindly devoted much of his time to supervise this work. I owe a lot of appreciation to the Department of Public Administration and Health Services Management for giving me the opportunity to pursue this programme successfully. I am very thankful to the Head of Department, Dr. Justice N. Bawole for his inspiration and to Dr. James Mensah for his constructive critique to my work. Thanks to Dr Kwame Asamoah for your materials and guidance during the seminar presentation. An appreciation to Dr Daniel Appiah and to Mr. Ibrahim Mohammed for reviewing my work in spite of your busy schedules. Thanks to all lecturers of the department for their various contribution to the work.

I also extend my acknowledgement to the staff of the Builsa North District Assembly, most especially the District Coordinating Director, Mr Alhaji Fuseni Al-Hassan, the District Director of Education, Mr. Clement A. Abakisi, the Business Advisory Centre Head, Mr. Roger Akeeda Awimbe, the District Finance Officer, Mr. Abdul Bafip Zubero for offering me valuable information and assistance during my data collection.

I also want to express my profound gratitude to the District Chief Executive, Hon. Solomon Kuyon and the District Coordinating Director Mr. Emmanuel Amoah of the Krachi Nchumuru District Assembly for contributing significantly to the success of my work. Thank you for your kindness. Thanks to Mr. Victor Eninful for your support in the data collection.

Finally, I thank Mr. Dominic Hotor and everyone who has contributed in one way or the other in making this work a success.

TABLE OF CONTENTS

DECLARATION	I
CERTIFICATION	II
DEDICATION	III
ACKNOWLEDGEMENT	IV
TABLE OF CONTENTS.....	V
LIST OF TABLES	XI
LIST OF FIGURES	XII
LIST OF ABBREVIATIONS.....	XIII
ABSTRACT.....	XVI
CHAPTER ONE.....	1
GENERAL INTRODUCTION.....	1
1.0. Introduction	1
1.1. Research Background.....	1
1.2. Statement of the Research Problem	7
1.3. Objectives of the Study	10
1.4. Research Questions	11
1.5. Significance of the Study	11
1.6. Scope of the study	12
1.7. Research Outline	12
CHAPTER TWO	13
LITERATURE REVIEW	13

2.0.	Introduction	13
2.1.	Search Strategy and Results	13
2.2.	Literature and Theoretical Framework.....	13
2.2.1.	The Classical Theory of Fiscal Decentralization.....	14
2.2.2.	Decentralization	15
2.2.3.	Fiscal Balance	20
2.3.	Decentralization in Ghana.....	22
2.3.1.	The History of Decentralization in Ghana.....	23
2.3.2.	History of Ghana’s Decentralization From (1957- 1987).....	24
2.3.3.	Decentralization in 1988 and Beyond.....	27
2.3.4.	The Composition of the New Local Government System.....	27
2.3.5.	The Regional Coordinating Council (RCC)	28
2.3.6.	The District Assembly (DA).....	29
2.3.7.	Sub-District Political / Administrative Structure.....	32
2.4.	Advantages and Disadvantages of Fiscal Decentralization.....	33
2.4.1.	Advantages of Fiscal Decentralization	34
2.4.2.	Disadvantages of decentralization	36
2.5.	Local Economic Development.....	38
2.5.2.	Regional and Local Economic Development Theory.....	39
2.5.3.	Attraction Theory	41
2.5.4.	Conceptual Framework.....	41

2.5.5. Actors of LED	44
2.5.6. Determining the LED Factors.....	46
2.5.7. Local Economic Development in Ghana.....	49
2.5.8. Selecting a Local Economic Development Role	50
2.5.9. The Dualistic Model of LED	53
2.5.10. Importance of LED	55
2.5.11. Challenges of Local Economic Development.....	56
2.6. Fiscal Decentralization to Facilitate Local Economic Development	58
2.7. Empirical Studies	62
2.7.1. Positive Relationship between Fiscal Decentralization and Economic Development	62
2.7.2. Negative Link between Decentralization and Economic Development.....	64
2.8. Conclusion.....	66
CHAPTER THREE	67
METHODOLOGY	67
3.0. Introduction	67
3.1. Research Setting.....	67
3.2. Builsa North District in Context.....	67
3.2.1. Demographic Characteristics.....	68
3.2.2. Administrative and Political Set up	68
3.2.3. The Local Economy.....	70
3.2.4. Justification for the Study Area	72

3.3. Research Design.....	73
3.3.1. Study and Target Population	74
3.3.2. Sampling Techniques and sampling size.....	75
3.4. Method of Data Collection.....	75
3.4.1. Sources of Data.....	76
3.4.2. Data Collection Procedure.....	76
3.4.3. Questionnaire Administration.....	77
3.4.4. Document Analysis.....	77
3.4.5. In-depth interviews	77
3.5. Measures of Fiscal Decentralization and LED.....	78
3.6. Data presentation and Instruments for Data Analyses	78
3.7. Ethical Considerations.....	79
3.8. Limitations of the Study.....	80
3.9. Chapter Conclusion.....	81
CHAPTER FOUR.....	82
RESULTS AND DISCUSSION.....	82
4.0. Introduction	82
4.1. Demographic Characteristics of Respondents.....	82
4.2. Contribution of Fiscal Decentralization to LED	83
4.2.1. Provision of infrastructure	83
4.2.2. Social Services	85

4.2.3.	Citizens’ involvement in District Development Planning	87
4.2.4.	Support for Micro Small Medium Enterprise Developments	89
4.2.5.	Employment Creation	91
4.2.6.	Assessing the General Environment for LED.....	91
4.3.	Factors Inhibiting Effective Fiscal Decentralization in Ghana	93
4.3.1.	Sources of Revenue and Revenue generation capacity.....	93
4.3.2.	Internal Generated Fund Performance	94
4.3.3.	All Revenue Performance	96
4.3.4.	Expenditure Patterns.....	99
4.3.5.	Revenue and Expenditure Autonomy of the District Assembly	100
4.4.	Factors Inhibiting Local Economic Development in the District	105
4.4.1.	Administrative factors.....	106
4.4.2.	Cultural Barriers.....	110
4.5.	The Actors of LED and Their Roles	111
4.5.1.	The role of the District Assembly in contributing to LED	112
4.5.2.	The Role of NGOs and Donor Agencies	116
4.5.3.	The Role of Individuals/ Community Based Organisations in Local Development.....	119
4.5.4.	Benefits of the LED programme in the District.....	119
4.6.	Conclusion.....	120
CHAPTER FIVE		121
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....		121

5.0. Introduction	121
5.1. Summary of Findings	121
5.1.1. Contribution of Fiscal decentralization to LED	121
5.1.2. Constraints of Fiscal Decentralization.....	125
5.1.3. What are the Factors Hindering the Promotion of LED in the District?	128
5.1.4. Actors of LED and their Roles	130
5.2. Conclusion.....	131
5.3. Recommendation.....	133
5.3.1. Policy Recommendations	133
5.3.2. Recommendation for Further Research.....	136
REFERENCES	137
APPENDICES	149
APPENDIX ONE.....	149
Structured Questionnaire	149
APPENDIX TWO.....	155
Interview Guide	155
APPENDIX THREE	156
APPENDIX FOUR	156
APPENDIX FIVE	158

LIST OF TABLES

Table 2.1. Definition of LED Factors	47
Table 4.1. Demographic Information of Respondents.....	82
Table 4.2: Infrastructural Development in the District	84
Table 4.3: Provision of Social Services	86
Table 4.4: Disbursement of DACF based on Sectors	104
Table 4.5: The Actors or Agents of LED	112
Table 4.6: Japan Social Development Programme 2015 Action Plan	118
Table of Sub-Metropolitan Councils	157



LIST OF FIGURES

Figure 2.1. The Local Government Structure	28
Figure 2.2. Structure of the Conceptual Framework.....	42
Figure 4.1: Citizens Participation in Local Development.....	88
Figure 4.2: Micro Small, Medium Enterprise development in the District	90
Figure 4.3: Assessment of the General Environment for Local Business Development	92
Figure 4.4: Summary of IGF Performance Trends	94
Figure 4.5: IGF Trends by Revenue Heads from 2013 to 2015	96
Figure 4.6: Summary of Comparative Analysis of all Revenue Sources	98
Figure 4.7: Expenditure patterns	99
Figure 4.8: 2015 Expenditure patterns	100
Figure 4.9: Factors Hindering Local Economic Development in the District	106
Figure 4.10: The Role of the District Assembly	115
Figure 4.11: The Role of NGO's in LED	117
Figure 4.12: The Role of Individuals/ Community Organisations in Local Development ...	119
Figure 4.13: The Benefits of LED Programmes in the District	120
Flowchart of the search on fiscal decentralization and LED	156
Figure 3.1. Map of Builsa North District	158

LIST OF ABBREVIATIONS

AAP:	Annual Action Plan
AIDS:	Acquired Immune Deficiency Syndrome
BNDA:	Builsa North District Assembly
BAC:	Business Advisory Centre
CBR:	Community Based Rehabilitation
CGs:	Central Governments
CEPS:	Customs Excise and Preventive Service
CHPS:	Community Based Health Planning System
DA:	District Assembly
DACF:	District Assembly Common Fund
DADU:	District Agricultural Development Unit
DCD:	District Coordinating Director
DCE:	District Chief Executive
DDF:	District Development Fund
DFO:	District Finance Officer
DHD:	District Health Directorate
DISEC:	District Security Council
DMTDP:	District Medium Term Development Plan

EXECO:	Executive Committee
FD:	Fiscal Decentralization
FDU:	Fiscal Decentralization Unit
FOAT:	Functional and Organizational Assessment Tools
GES:	Ghana Education Service
GSGDA:	Ghana Shared Growth and Development Agenda
GSOP:	Ghana Social Opportunities Project
GSS:	Ghana Statistical Services
GLSS:	Ghana Living Standard Survey
HND:	High National Diploma
HIV:	Human Immuno-deficiency Virus
ICT:	Information Communication Technology
IGF:	Internally Generated Fund
ILGS:	Institute of Local Government Studies
IMF:	International Monetary Fund
JSDF:	Japan Social Development Fund
LDC:	Less Developed Countries
LED:	Local Economic Development
LGs:	Local Governments

LGS:	Local Government System
LU:	Local Units
MLGRD:	Ministry of Local Government and Rural Development
MMDA:	Metropolitan, Municipal and District Assemblies
MMDCE:	Metropolitan, Municipal, District Chief Executive
MOFA:	Ministry of Food and Agriculture
MoFEP:	Ministry of Finance and Economic Planning
MTDP:	Medium Term Development Plan
MSE:	Micro Small Enterprise
MSME:	Micro Small Medium Enterprise
NBSSI:	National Board for Small Scale Industries
NGO:	Non- Governmental Organisations
PM:	Presiding Member
PNDC:	Provisional National Defence Council
RCC:	Regional Coordinating Council
REP:	Rural Enterprise Programme
RLED:	Regional and Local Economic Development
SME:	Small Medium Enterprise
UNDP:	United Nations Development Programme
UNICEF:	United Nations International Children's Emergency Fund

ABSTRACT

Local Economic Development (LED) is increasingly gaining the attention of governments especially in developing countries. In Ghana, LED has been adopted as a development strategy to enable local governments in partnership with community groups and private sector create employment and boost local development using the resources available. The study has investigated the degree to which Fiscal Decentralization (FD) has contributed to LED at the district level. Using qualitative research method, the study found that, fiscal decentralization thus facilitates LED but with minimal effects. The district has a very low IGF base resulting in its heavy reliance on central government, which undermines its fiscal autonomy. Local economic development of the district is largely dependent on the interventions of central government and donor supports and rarely could provide basic services for the people with its own sources of funds. The study has contributed to the understanding of the theoretical link between FD and LED and recommended that more research is needed from different approaches to identify the best strategies to increase local revenue and expenditure autonomy without causing negative developmental consequences.



CHAPTER ONE

GENERAL INTRODUCTION

1.0. Introduction

This section provides general overview of the study under the various headings; the research background, the statement of the research problem, the study objectives and questions. The scope of the research as well as the chapter outline is also provided in this section.

1.1. Research Background

The manner in which the public sector of a country is organised shows its history, political and geographical characteristics that may distinguish it sharply from other countries (Bird & Vaillancourt, 1998). Many developing countries have undergone reforms with the aim of achieving national, regional and local development. In Ghana, fiscal decentralization has been adopted to equip local authorities to provide education, employment for the youth and basic services for the population particularly in the informal sector that depend on petty trading, informal vending and many more. It is perceived that fiscal decentralization will help boost the local industries that would consequently generate employment for the people.

The rising rate of unemployment among the growing workforce is a major concern that has not only gained the attention of governments in developing countries but also it has become a rallying call for increasing the pace of local economic development. In Ghana, as the proportion of unemployment is widening nationally, pressure is mounted on local authorities to develop or enlarge local economic policies for the growth of industries to meet the increasing expectations of unemployed populace (Townroe, 1979). Majority of the districts (in the Upper East Region) including the Builsa North District have created units/ departments with special staff responsible for local economic policy planning and development. Others have relied on existing officers from planning departments to lead these special units within the Assemblies.

The Business Advisory Centre (BAC) is a unit under the National Board for Small Scale Industries (NBSSI) at the district level responsible for implementing rural enterprise programmes. Whilst such initiatives are commendable, it has become evident that districts require both financial autonomy and human resource capacity to be able to revitalise local economic development to create employment and better the conditions of living of the people. This implies that fiscal decentralization is invariably a major pillar in achieving this result.

Since Ghana's adoption of decentralization programme and the passage of the Local Government Act, 1993 (Act 462), every district is allowed to generate its own internal funds in addition to government grants that are meant for the development of its localities. Districts therefore, have to identify their potentials in order to explore to create more jobs for the people. Local governments must therefore carry out local economic programmes themselves or in partnership with community based organisations and private bodies to create favourable environment to induce local development.

Local economic development has become a significant development strategy in recent times for many developing countries and policy analysts (Rodriguez-Pose & Kroijer, 2009). Countries that strive to develop have either tried to implement or are still implementing various policies including fiscal decentralization to enhance efficiency in economic development. It is in this light that, empirical evidence is urgently needed to investigate how fiscal decentralization (FD) promotes local economic development (LED) and to identify LED actors and their roles within the local level.

Decentralization is inspired by fairly diverse motives. While some countries all over the world are trying for numerous motives and with different degrees of success and intentions to establish and implement local units in earnest for development, decentralization still remains a complex and elusive concept (Smoke, 2003). Many unitary countries have viewed decentralization in the past as a way of finding or searching for a more effective and efficient

public sector. This is because some countries have become dissatisfied with the performance of previous planning and centralization of programs.

As some of the literature on decentralization tends to identify the problems, other writers tend to focus on the circumstantial instances of its benefits and success. Although there is no much empirical evidence that points to the benefits of decentralization and the methods to achieve its perceived benefits, some policy experts and decision makers recommend the adoption of decentralization in many countries. This is because of a number of reasons as identified by Smoke (2003) as follows:

First, the push for decentralization in Africa is partly due to pressure from international development bodies and partly as a consequence of the failure of centralised approach to development (Smoke, 2003; Akudugu, 2013).

Secondly, decentralization is sometimes regarded as all-encompassing to the extent that, it seems to have limited the duties and roles of the central government. Quite important is the difficulty of measuring decentralization. Measuring fiscal decentralization for instance can be a challenge. Though some scholars have used the proportion of local government expenditure/ revenue to national expenditure/ revenue as a proxy for fiscal decentralization, this could not measure the degree of fiscal autonomy and the level of accountability of District Assemblies (Smoke, 2003; Xie, Zou & Davoodi, 1999).

Thirdly, Smoke (2003, p. 8) in his article pointed out that, “much of the literature on the topic emphasise the fact that the decentralization is almost invariably complex”. Decentralization is difficult to design and to understand and due to its’ various forms and nature, its implementation usually takes time and vary across countries. The complexity of this issue is further deepened by the compartmentalisation of the phenomenon by scientists in the discipline. Scholars of the different dimension of decentralization still have different views of

decentralization and therefore focus only on their area of interest. While political scientists focus on the political decentralization (that is local elections, intergovernmental transfers, and accountability factors); economists look at the fiscal and economic dimension; public administrators deal with institutional functions, processes and procedures, it must be noted that all these dimensions are functionally integrated and must be considered collectively (Smoke, 2003; Martinez-Vazquez, Lago-Penasand & Sacchi, 2015).

Finally, it is worthy to note that, interested persons who stand to benefit or otherwise would push either for or against decentralization. Based on these different perceptions of decentralization, it has been considered in many developing countries based on different reasons that sometimes may produce some evidence of its benefits to inform sound decision making. Since countries are different and may adopt different styles or forms of decentralization, the concept of decentralization may or may not be clearly defined. Any country or institution that has a specific view of decentralization might find subjective evidence to support its claims. At the end, decentralization has either been endorsed or rejected by decision makers without proper recourse to how well to design it in order to achieve at maximum, the intended benefits and constrain its' potential problems (Smoke, 2003).

In fact, decentralizing governance ensures public confidence in public policies and a general basis for wider policy agreement (Martinez-Vazquez, et al., 2015). Martinez-Vazquez and others opined that, some countries may even use decentralization as a political opportunity for merely electoral purposes though, fiscal decentralization is perceived to be concerned with the way the public sector is structured to create enabling environment for economic development. Ghana since 1988 has executed inclusive local government and decentralization reforms as a substitute development approach to centralize planning and administration. The decentralization policy is operated on four key interrelated areas namely fiscal decentralization,

political decentralization, administrative decentralization and decentralized planning. Several years after, another dimension that has received, an increasing attention was public–private partnerships. Many years of implementation of the policy has resulted in positive successes including the establishment of two hundred and sixteen (216) local governments, the allocation of authority, responsibilities and resources from the national to local governments. In addition, infrastructural development and awareness creation among citizens with support from the District Assemblies Common Fund (DACF) and augmented partnership between localities and development partners (MLGRD), 2010).

The MLGRD (2010) however noted that, important issues require attention and proposed solutions. Several years of implementation has witnessed incoherence and contradictions in various approaches to decentralization. The first refers to the need to clarify the role of the region in the national government structure. The second is continuing delay in incorporating the decentralized departments into the assembly administration structure and the implementation of fiscal decentralization. The third is the lack of effective local government sub-structures. The fourth is low motivation and capacities of local authorities (assembly members). Finally, general involvement in local governance should be encouraged and streamlining relationships with traditional rulers.

To deepen development at the local level, LED policies were therefore incorporated into the District Medium Term Development Plans (DMTDP) and Annual Action Plans (AAP) to ensure that local authorities through participatory approach with community base organisations and private bodies are able to identify and find solutions to local enterprises and community development needs. Currently, some Districts including Bongo District Assembly, Amansie District Assembly, Central Gonja District Assembly, Berekum Municipal Assembly, Wa Municipal Assembly, Kassena-Nakana East District Assembly, Tamale Metropolitan

Assembly and Sissala West District Assembly were piloted for LED programmes (Akudugu, 2013).

The promotion of local citizens' economic rights such as access to credit facilities, market, good roads, electricity, food security, quality education and alternative source of livelihood would help to improve the local economic development of the local areas. To what extent are these economic rights granted to citizens by the District Assemblies (DAs) as a result of the yearly income generation and donor funds support? Any attempt to explain the failure of DAs to provide these facilities, would usually be pointed down by officials of the DA as lack of resources being their main challenge. Unfortunately, it is not feasible to ascertain the truth or to deliberate on the fiscal capacity of local governments in details as the top officials would be reluctant to disclose information regarding their revenues and expenditures. A situation described by Crawford (2010, p. 115) as "displaying a disturbing lack of transparency". Despite this, it is usually believed that, the two main sources of revenue (District Assembly Common Fund and Internally Generated Fund) to the DAs are insufficient.

This is due to first, the challenge of raising internal income in deprived districts dwelled by people with critical income poverty. They rarely can contribute to increase Internally Generated Fund (IGF) as compared with relatively well-to-do districts. Secondly, though every district receives the share of District Assembly Common Fund (DACF), it remains a small fraction, unpredictable flow and highly controlled by the central government in relation to how it should be disbursed. Many central governments just like Ghana may be more prepared to transfer and reduce responsibilities to the local units than to devolve proportionate financial power (Crawford, 2010).

The current study therefore seeks to investigate how FD contributes to LED in Ghana, the barriers to effective FD and LED, to contribute to knowledge base as well as make recommendations to inform policy formulation and implementation.

1.2. Statement of the Research Problem

The context of local economic development is very critical in determining the success or otherwise of LED. In developed countries, there is increasing demand for local goods and services and the presence of meso-level institutions facilitate the growth of local businesses (Helmsing, 2003). The absence of these meso-level institutions at local sectors and areas impede investment responses by households and enterprises. It has frequently been perceived that Africa and more specifically Sub-Saharan Africa in particular, is different and as a result needs unique solutions to its development problems. The adoption of diverse strategic plans with common trends comparable to those practised by other countries in the world can make LED successful in Sub-Saharan Africa as in other developing or middle and low income level countries (Rodriguez-Pose & Tijmstra, 2007). This suggest that, “the likelihood of success of LED depends on place specific conditions” (Rodriguez-Pose & Tijmstra, 2007, p. 536). This view has also been supported by Rogerson (2014, p. 203) that “LED planning is a place-based approach to development planning” which has recently assumed increasing importance across the global south.

It is evident that most LED studies focused extensively on South Africa and some developed nations (Rogerson & Rogerson, 2010; Rogerson, 2010; Rogerson, 2014). Other scholars focused on LED in a more generalised context (Helmsing, 2003; Bergt, 2007). As it is now, there is a lot more of LED studies on South Africa than on any other Sub-Saharan African country (Rogerson & Rogerson, 2010). However, little attention has been given to developing countries such as Ghana even though the primacy of LED for overall development in developing countries, including Ghana, has been highlighted in the extant literature. Since LED planning is more likely to be successful when place based approach is adopted (Rogerson, 2014) and depended on place specific conditions (Rodriguez-Pose & Tijmstra, 2007), other

countries like Ghana should also be given greater attention to identify successful strategies for LED.

This also suggests that, there is the need to correct the regional imbalances, not least because lessons from other developing countries contexts could be useful in enhancing LED efforts as well as broadening the frontiers of knowledge. More precisely other context specific studies would be very relevant in closing the context gap.

Most of the wealthy countries on the African continent at present have the enabling environment and conditions in place for designing and implementing LED strategies (Rodriguez-Pose & Tijmstra, 2007). Unfavourable conditions, less resources, poor accessibility and weak civil society can undermine the success of LED. However, deprived areas, regions and districts that lack some of the preconditions for LED may still achieve success by capacity building (Rodriguez-Pose & Tijmstra, 2007) and fiscal support. Moreover, the essence of fiscal decentralization is to enable district assemblies generate their own resources to stimulate local development. This is however not the case for most districts in Ghana including Builsa North District as they are unable to generate enough internal revenue but rather rely heavily on government transfers which flow is often times delayed and unpredictable (see Builsa North District Composite Budget, 2015). This also raises doubts about the nature and extent of Ghana's FD and the factors that inhibit its full realization.

Extensive studies have been done on LED planning (Helmsing, 2003; Rogerson & Rogerson, 2010) and the theoretical and conceptual framework that identifies strategic challenges that affect LED planning (Bengt, 2007; Liou, 2009; Rogerson, 2010, Rogerson, 2014). However, there is paucity of literature pertaining to the degree to which local government institutions are able to use the resources available to promote LED within the local units.

A significant number of districts (for example, Builsa North and Builsa South Districts) in Ghana as a result of LED policies have established separate departments under the control of

National Board for Small Scale Industries (NBSSI), through its Business Advisory Centres (BAC) to facilitate planning and implementation of LED policies. Besides, there have been fiscal transfers (yearly budgetary allocations) made to local governments or district assemblies by the central government in addition to their own internally generated funds to ensure that these policies and plans are executed. Over the years of implementation, “several institutions and policies have been put in place to help improve development at the local level” (Mensah, Domfeh, Ahenkan and Bawole, 2013, p. 163). However, there has been limited literature regarding the success, challenges or otherwise of implementation of these policies at the district level. However, some scholars on the subject matter did similar studies, their attention was focused on LED piloted districts (Akudugu, 2013) and a more sectorial policy perspective (Mensah, Domfeh, Ahenkan and Bawole, 2013).

How can local governments, with the support of fiscal decentralization and other local authors such as community-based organisations, associations and producers, as well as private organisations and donors contribute to LED (Helmsing, 2003) and employment creation? This question though was posed over a decade ago, it is still relevant today and this current study tries to respond to Helmsing (2003) question by investigating the contribution of FD to LED. Performance of subnational or local level tasks needs sufficient funds and suitable means of financing or supporting local government units to enable them respond appropriately to the service needs of the people. Notwithstanding declarations, policies and even assurances by governments, there has not been a concerted effort to grant local governments and for that matter district assemblies with substantial fiscal autonomy to tax and spend (Bahl, 1999). This assertion by Bahl (1999) is applicable to the Ghanaian context. Most district assemblies are still unable to provide enough basic services such as quality education, health service delivery and jobs to their citizens due to lack of adequate funds.

Most of the available empirical literature have concentrated on the connection between FD and poverty (Crook, 2003; Crawford, 2008; Moche, Monkam, & Aye, 2014; Azila-Gbettor, Adjimah & Tibu, 2014), FD and income inequalities (Sacchi & Salotti, 2014) but the link between FD and LED in Ghana is still blurred. Therefore, there is the need for more empirical literature specifically pointing to the contribution of FD to LED in Ghana, as studies of some developing countries revealed that economic growth appears to be successful in countries whose local governments enjoy greater control of the revenue generated within their jurisdiction (Han & Kung, 2015).

1.3. Objectives of the Study

The main objective of the study is to determine the contribution of fiscal decentralization to local economic development in the Builsa North District. The study therefore aims to examine the following specific objectives:

1. To assess the extent to which fiscal decentralization contributes to local economic development.
2. To identify the factors that inhibit effective fiscal decentralization in Ghana.
3. To determine the factors hindering local economic development in the Builsa North District.
4. To identify the actors involved and the roles they play in LED.

1.4. Research Questions

In line with the research objectives, the study seeks to find answers to the following research questions;

1. To what extent does fiscal decentralization contribute to local economic development?
2. What are the factors inhibiting effective fiscal decentralization in Ghana?
3. What are the factors hindering local economic development in Builsa North District?
4. Who are the actors of LED and what roles do they play?

1.5. Significance of the Study

Fiscal decentralization in Ghana was designed to enable local authorities have control over their own affairs. This is however not the case as most district assemblies over rely on central government (District Assembly Common Fund) for development. This condition raises a lot of argument as to what the causes are. To some, FD alone cannot bring about development and to others it is due to the political system that does not support the full operation of decentralization. Though quite a lot of works have been done in the area of fiscal decentralization (Moche, Monkam, & Aye, 2014; Azila-Gbetteor, Adjimah & Tibu, 2014), there is the need to apply different approaches to unveil the problem. The study therefore has both practical and research implications.

In practice, the findings might assist local governments or Metropolitan/Municipal/District Assemblies and policy makers to design some strategies that would enhance effective fiscal autonomy (revenue generation and expenditure). The study would contribute to knowledge and understanding of local governments about the benefits and limitations of FD to LED in Ghana.

In terms of research, the study has contributed to literature in terms of FD and LED for scholars who might want to do similar studies. The study has also identified the links between fiscal decentralization and LED at the district level and made recommendations for further research.

1.6. Scope of the study

The study was limited mainly to only staff of Builsa North District Assembly as a case study. The variables used as measures for LED in this study include fiscal infrastructure, citizens' participation in planning and implementation of LED programmes, capacity building, employment creation and financial accessibility to local businesses. The study adopted the qualitative method of data analysis.

1.7. Research Outline

The rest of the paper is organized as follows: Chapter two entails the examination of theoretical and empirical literature on FD and LED. Chapter three contains the design and the methodology that was used for the analysis. The results and findings gathered from the data are captured in chapter four. The last chapter of the study contains the summary, conclusions and recommendations.

1.8. Chapter Conclusion

This chapter has discussed the general overview of the study. It has indicated the main problem that necessitated for the study and the aims and objectives that the study sets out to investigate. The significance as well as the outline of the study has been presented in this chapter. The next chapter reviews the theoretical framework and the empirical evidence of FD and LED.

CHAPTER TWO

LITERATURE REVIEW

2.0. Introduction

This chapter entails the search strategy, theoretical framework, the link between fiscal decentralization (FD) and local economic development (LED), advantages and disadvantages of FD and the related works relating to the current study.

2.1. Search Strategy and Results

The search strategy for identifying literature on fiscal decentralization and LED was done in three stages. First, the paper searched for studies from six databases: Google Scholar, JSTOR, PsycInfo, Emerald, Sage Journals Online and UG Space. The search terms include decentralization (all fields), fiscal decentralization (all fields), and local economic development (all fields).

Second, this study searched through documents from institutions (Buisa North District Assembly, Local Government Service, District Assembly Common Fund and Ministry of Local Government and Rural Development) and reviewed initial articles reference lists. Finally, this study also searched the University of Ghana theses database for graduate research on fiscal decentralization and Research Gate for lecturers' publications related to the topic area. The flow chart of the search strategy is presented in appendix 3.

2.2. Literature and Theoretical Framework

This section explains the theoretical and conceptual framework of fiscal decentralization and LED, the various forms of decentralization, the history of decentralization in Ghana and related literature on FD and LED.

2.2.1. The Classical Theory of Fiscal Decentralization

The classical theory can be attributed to three major attributions; first, Tiebout's Local Good Provision Model (Tiebout, 1956); Oates Decentralization Theorem (Oates, 1972) and Brennan and Buchanan (1980) Leviathan Hypothesis.

Tiebout's model of public good provision is where mobile households "select a community of residence based on their preferences for local public goods" (Oates, 2005, p. 349). Local or sub governments usually compete to provide a blend of tax and public goods. Citizens are then to "choose by their feet" and decide wherever they want to live in accordance with the preferences of their public goods and tax (Oates, 2005, p. 349).

Oates Decentralization Theorem attempts to "solve the trade-off between centralised and decentralized provision of public goods in favour of the former (centralisation) if average preferences across citizens of different regions are equal, the consumption of the public goods generates spill-over effects; whereas a decentralized provision maximises social welfare when preferences differ across regions, spill-over effects are absent". The theory operates on the assumption that government operates to maximise social welfare and in the event that it is centralisation there would still be an even delivery of public goods (Porcelli, 2009, p. 2).

Finally, a significant influence in the public-choice dimension of fiscal decentralization is the Brennan and Buchanan (1980) Leviathan Hypothesis where FD is seen as a "mechanism to constrain the expansionary tendencies of government". In this theory, central governments operate as monopolists (or Leviathans) in order to maximise their autonomy over the country's resources rather than attempting to increase the provision of social welfare. Based on the notion that "households and firms are mobile", central government is divided into various sub national or local governments and introduced among them fiscal competition through fiscal

decentralization system. This placed fiscal restrictions on the national government's taxing powers (Porcelli, 2009, p. 2).

Both Tiebout (1956) and Oates (1972) have provided a hypothetical framework of FD that could ensure an effective delivery of public goods that would reflect local preference to centralisation. While their initial method has assumed a compassionate government, the Leviathan Hypothesis is centred on a contrary notion that decentralization is a way to decrease the size and inefficient behaviours of government in order to make it more responsive to local service preferences. Rodden (2003) argued that subject to how the public sector is funded, fiscal decentralization could result in a small or large public sector. The Leviathan hypothesis might not work effectively if local units continue to receive grants from the central government and the outcome of this will result in a large public sector. There will be negative consequence on the public sector when the central government devolves fiscal revenues to local governments. The Leviathan model has successfully tested its hypothesis that decentralization of expenditure without local tax can undermine the tax competition (Porcelli, 2009).

2.2.2. Decentralization

Decentralization refers to the allocation of decision making authority and public functions responsibilities from the central government to sub governments or quasi-independent government institutions (Boschmann, 2009). It involves the process of restructuring the structure of the fiscal decentralization to devolve power to the local governments. Decentralization according to Rondinelli (1981) is the allocation of the authority for decision making, planning and the management of the functions of the public from the central government to lower level government. In this study, the focus of decentralization is fiscal decentralization, which is the assignment of intergovernmental resource power from the national government level to lower level of government (or district assemblies). The extent of

FD determines the amount of power given to sub-governmental units to exercise control over their own revenue generation and expenditure.

There are three main types of decentralization. These include delegation, de-concentration and devolution (Boschmann, 2009). Crawford (2008) has identified devolution or democratic decentralization and deconcentration or administrative decentralization as the main forms of decentralization. Other scholars have identified privatisation as one other form of decentralization (Rondinelli & Nellis, 1986; cited in Rees & Hossain, 2010, p. 583). The three main types of decentralization as identified by Boschmann are explained below.

De-concentration: This type of decentralization is the weakest. Deconcentration is the transfer of decision-making and planning authority and responsibilities from central government units to other government departments, districts and regions. This type of decentralization enhances the capacity building of administrative and local government officials at the grassroots under the supervision of central government. Rees and Hossain, (2010) also explained that deconcentration refers to the transfer of decision making power and responsibility from staff and offices located at the centre to local governments or administrative offices located outside the national capital.

The centre still has authority and regulatory powers over the decision making of the local units that ensures that authorities at the local units are still responsible and accountable to the central administration (Habibi et al, 2003). Based on this, local officials are unable to take all decisions that affect them on their own. This form of decentralization is mostly associated with unitary systems of governments (Habibi, et al, 2003).

Delegation: This type of decentralization refers to the relocation of administrative and decision-making responsibilities from the national or central government to semi-autonomous bodies to perform pre-defined functions with limited influence or control from the central

government (Boschmann, 2009). It involves the sharing of fiscal resources to sub-national units with instructions or specific regulations regarding the resource utilization (Habibi, et al, 2003). These semi-autonomous bodies or local units unfortunately remain accountable to the central government. The establishment of national institutions such as Savannah Accelerated Development Authority (SADA), High Way Authorities and public enterprises requires the state to delegate some responsibilities to them. Delegated decentralization allows the institutions or organisations to make policies with some reasonable amount of discretion.

But since the central government still maintains the power of resource allocation, this type of decentralization possesses some kind of “principal-agent relationship, with the central government as the principal and the local governments as the agents” (Habibi, et al, 2003, p. 75). This form of decentralization is more likely to be adopted in federal governments.

Devolution: This is concerned with the allocation of planning, finance, decision-making and authority to semi-autonomous institutions of the state. Devolution is the type of decentralization that focus on the financial autonomy of the district assemblies that enable them to be responsible for the formation and implementation of local level development within their jurisdiction. This implies that there should be regular flow of resources to enable local governments achieve their developmental goals. Central government transfers to district assemblies should be based on transparent, just and objective distribution procedures, reflecting the locality differences in terms of needs and functions.

Usually in Ghana, the trend is the same. Fiscal authority and responsibilities are devolving to local governments such as the regional coordinating council and the metropolitan, municipal and district assemblies (MMDA). They have the authority to elect their own local leaders (e.g. district chief executives), generate their own revenue and have control over their own investment and expenditure. This is however not the case in the Upper East Region; inter-governmental transfers to the Region have still not sustained the desired development that can

dissuade citizens from migrating to other regions in search of jobs and higher levels of education. Sub-governments in devolved countries exist within specified and defined geographic boundaries in which they exercise their legal powers and authorities. Similarly, devolution is also defined as the transfer of legal powers to perform specified functions within a formally constituted local bodies or agencies (Ayee, 1992).

Decentralization functions in a constitutional system is carry out progressively over a long period of time. In this form of decentralization, local officials gain full responsibilities over fiscal resources and decisions allocated to them, without interference from the central administration (Habibi, et al, 2003). This may require central government to grant substantial amount of powers on revenue mobilization (taxing) and expenditure. It is assumed that decentralization by devolution will bring government more close to the people and is anticipated to result in more political involvement at the grassroots. This will enable citizens to get their voices heard and their demands met through their local representatives. At the end, “it is anticipated that the local government unit will be more responsive to citizens, inclusive of the majority poor, resulting in poverty reduction” (Crawford, 2008, p. 235). In Ghana, little amount of these powers are granted to district assemblies.

Studies on decentralization, devolution and financial shortfalls have also shown that central government’s discretion to some extent can be limited by decentralization and devolution and this can lead to economic disincentive (Sosin. 2012). There is also the tendency that decentralization and devolution can make sub units that gain autonomy not to match the needs of the people to their service. Central governments may then lose functional power over the sub states. This can be financial disincentive to local units to raise enough resource for themselves. The tendency of raising higher taxes sufficient to meet the increasing level of expenditure at the local level is there. However, the fear is that businesses may relocate if taxes are high. It is also argued that, districts that are financially challenged or are unable to meet

their revenue targets will be faced with limited functional discretion. Moreover, this can reinforce and encourage the sub-units to adopt priorities of the central government. Sosin (2012) also supports the above argument that due to lack of adequate local funds, local governments are unable to pursue their own priority programmes but tied to the dictates of the central government.

The main components of devolution include administrative decentralization, political decentralization and fiscal decentralization (Boschmann, 2009).

Political Decentralization involves the sharing of decision making functions and authority from the national government to sub-national or local governments which is managed by political representatives of the locality (Boschmann, 2009). It also means the territorial share of power. This also involves the extent to which power and authority is distributed to specific geographical units in the state, and the processes and the institutions through which this power sharing is done. The division of states into smaller units with some level of political autonomy enhances quick decision making at the local level. What this means is that the local people know their problems best and would be able to find their own solutions.

Administrative Decentralization refers to the sharing of administrative functions of the central government with the sub-governments under the authority and control of the local units. Administrative decentralization seeks to enhance efficiency and to ease workload or congestion at the central government level.

Fiscal Decentralization: this form of decentralization concerns the devolution of budgetary authority and decision making functions from the central government to local governments to take their own decisions in relation to revenue generation and expenditure (Boschmann, 2009). It involves the allocation of resource from the central government or top level of government to the lower or sub national units to ensure local control of their budgets and fiscal decisions

and performance (Ghaus-Pasha, Pasha & Khan, 2000). Both administrative and political decentralization are largely preconditions for the full realization of fiscal decentralization. The main concern of this study is fiscal decentralization. The form of decentralization adopted can have influence on the structure and organisation of the public sector. This implies that the form of decentralization a country can adopt is largely contingent on the country's political system and culture (Boschmann, 2009).

For the effective operation of fiscal decentralization, fiscal autonomy must necessarily be granted to local governments and encourage fiscal balance. Fiscal decentralization entails three major distinct areas. These components include revenue autonomy, expenditure autonomy and intergovernmental transfers (Bahl, 2008). According to Bahl (2008), fiscal autonomy refers to the amount of discretion a sub government can exercise over the management and control of its fiscal resources. In some countries, the exercise of discretion by sub-governments are limited to only expenditure while others have given some considerable amount of discretion to local units to some extent to finance and spend their budgets. Bahl (2008) also noted that many large countries that are affluent with diverse populations appears to exercise a lot of expenditure decentralization. Comparing the situation to the Ghanaian context (and precisely in the Builsa North District Assembly), it appears that the Assemblies have limited revenue generating powers as compared to their expenditure (Builsa North District Composite Budget, 2014 and 2015).

2.2.3. **Fiscal Balance**

Fiscal decentralization entails horizontal and vertical fiscal balance. Fiscal system is said to be vertically balanced if each district or local unit on average has adequate resources that can carry-out a minimum level of service for which it is responsible. Local taxation,

intergovernmental transfers and charges constitute the main resources available to local governments. These local taxes and charges are however limited. The intergovernmental transfers that form a large chunk of the district revenue does not flow regularly. Moreover, what is considered as the minimum level of service is subjective and is difficult to determine. The cost associated with the perceived minimum level of service may vary from one local government unit to the other. It is much better to view vertical balance in terms of availability of resources to local governments than to attempt to measure public needs objectively. In fact, there is no universally acceptable way of measuring fiscal balance (Bahl, 2008).

Bahl (2008) observed that vertical imbalance in a country can affect the intergovernmental fiscal system negatively. When local governments are given spending autonomy relative to revenue, they will not be able to provide services. Even if some services are delivered, it may be done at a slow pace and with poor quality. Eventually, local government units may run into fiscal deficits. On the contrary, when local units in the developing nations are given more autonomous responsibilities in revenue mobilization as compared to expenditure, deficiency of service delivery by the national government will emerge since the central government will not be left with adequate funds (fiscal starvation) (Bahl, 2008). In this situation, the state will be left with no option than to charge higher taxes to enable it finance public services.

This is not farfetched. Ghana has been facing fiscal starvation since 2015 simply not because more national resources were not transferred to local governments. It is just that, Ghana government simply could not generate enough revenue to provide most of the basic needs such as reliable electricity supply, water and petroleum to its citizenry. This has propelled the country to go for loan from the International Monetary Fund (IMF). In an attempt to meet the conditions of the IMF, more burdens in the form of higher taxes were imposed on citizens as against stagnant or un-increased salaries of workers. The government believed that by cutting down expenditure and increasing taxes, it would be able to finance its debts (fiscal balance). In

many industrial countries where there is maximum allocation of significant taxing powers to local units, the intergovernmental fiscal system is mostly vertical balance. Bahl, (2008) has also expressed similar views in relation to ensuring fiscal balance.

On the other hand, horizontal fiscal balance refers the degree to which sub-governments with available resources are able to deliver “minimum levels” of services to the public. Notwithstanding the fact that central governments may attempt to restore horizontal fiscal balance by allocating significant amount of resources that will meet the basic needs of the public, disparities may still exist among local units since some deprived local governments or district assemblies may not be able to generate enough of their own resources.

The benefits of decentralization to poverty reduction and better-quality service provision is still an ongoing discussion among researchers (Crook, 2003; Ayee, 2004; Crawford, 2008). The successful achievement of the purpose of decentralization largely requires the presence of certain assumptions and conditions. The possible conditions necessary for the effective contribution of decentralization to production reduction and improved quality service provision includes but not limited to the following: (a) availability of sufficient local level resources; (b) adequate human and administrative capacity; (c) central government political commitment; (d) participation and consultation of stakeholders and (e) sufficient free flow of information.

2.3. Decentralization in Ghana

Decentralization in Ghana has gone through so many phases and reforms until date. Ranging from time of indirect rule to the current local government act (Act 462 of 1993). In this study the history of decentralization in Ghana, legal and political framework of decentralization, the

composition and structure of the current LGS and the Sub-districts political/ administrative structures are discussed below.

2.3.1. The History of Decentralization in Ghana

Decentralization has existed since the pre-colonial time in Ghana though informal and less democratic. In fact, communities had their own way of governing themselves. Usually the chief was the political and administrative leader of the community and was supported by the council of elders. The rule by traditional authorities were hierarchically structured ranking from the King, followed by paramount chiefs, chiefs and at lower level divisional or sub-chiefs (Ahwoi, 2010; ILGS, 2010).

During the colonial period, the settlement of the Europeans in Africa and Ghana specifically had changed the local leadership and governance structure resulting in chiefs playing limited roles to the British Resident Commissioners (ILGS, 2010). When the colonial masters arrived in the Gold Coast, chiefs and some local loyalists were the focus of local government and administration, whose authority was fundamentally not legitimised by the locals. This local system of administration was considered as the “Indirect Rule System” (IRS). The traditional rulers also referred to as the Native Authority, which was then the unit of local government was not democratic. The chiefs were selected based on influence of the colonial masters to help them administer law and order in the Gold Coast. They wielded enormous authority over the natives but their selection was not clearly recognised (ILGS, 2010).

LG emerged through two major lines; “a series of Municipal Council Ordinances regulated LG in the major municipals while a series of Native Jurisdiction Ordinances regulated LG in the rest of the country through the State Councils and Native Authorities” (ILGS, 2010, p.12). In 1951, the first Local Government Ordinance was commissioned to help solve the shortfalls outlined by the Coussey Committee in relation to the 1948 disturbances.

Despite the Ordinance, there were no changes on the major councils. The creation of more councils for instance, 252 local and urban councils and 26 district councils have deepened more the unconstitutional powers of the traditional rulers. This was because the old system and the new system were linked to each other which made the chief the president of the new system but then with restricted powers. (Ahwoi, 2010).

In not later than five-years of implementation of the new system, it witnessed once more inefficiencies which were outlined by the commission lead by F. A. Greenwood in 1956 to make recommendations for the reorganisation of the Local Government System (LGS) on the organisation of LG, expenditure control measures, revenue control systems, local government financing and taxation among others. The recommendations of the Greenwood committee were not implemented before the attainment of Ghana's independence in 1957 (ILGS, 2010).

2.3.2. History of Ghana's Decentralization From (1957- 1987)

During the postcolonial period, various reforms had been made to decentralize power and authority to other parts of the country. The independent constitution of 1957 had contributed to the attainment of Ghana's independence on 6th March 1957. The constitution also set out the legal framework for reorganisation in the LGS. The constitution had zoned Ghana into five governmental regions namely: Western, Eastern, Northern, Ashanti and the Trans – Volta Togoland Regions. All the regions but Ashanti region were headed by agents from the regional house of chiefs. The Asantehene headed the Ashanti region. There was an assembly in every region (synonymous to parliament) responsible for the development of the region. In addition to that, local government councils such as the municipal, district, urban and local councils that existed previously during the colonial period were still maintained in the constitution (ILGS, 2010).

The regional assemblies rarely lived to the expectation of discharging local governance hence their activities were tagged with oppositions until the promulgation of the 1960 republican constitution which again brought about some changes in the LGS (ILGS, 2010). The 1960 republican constitution enabled the establishment of the Central and Upper Regions and the change of name from Trans-Volta Togoland to Volta Region. Overall, the total number of regions increased to seven (7) in the country.

Subsequently, a Local Government Act (Act 54) of 1961 was enacted to facilitate the creation of municipals, cities and local councils (Ahwoi, 2010). This major reform in the LGS has allowed for the participation of villages, towns and unit committees in the governing process of their localities. Again, elections were introduced to elect local officials into the unit committees and councils. The paramount chiefs appointed by the Minister for Justice chaired the district councils. The paramount chiefs were to preside over and give guidance throughout the process of electing a permanent or official chair for the district councils. The tenure of office for the district councils was three years though qualifies for re-election.

At the time, LG was under the control of the Ministry of Justice (MoJ). The main roles allocated to the councils include security management (the use of native police), environmental management, infrastructural provision and social services delivery. Local sources of revenue including fees, licences, and permits remained the major sources of financing of the local governments (ILGS, 2010).

Loopholes within the LGS still existed which had necessitated for reform of the sector using all the recommendations from the committees. An additional Local Administration Act (Act 359) of 1971 was enacted to transfer the authority for appointment to the regional chief executives that was previously performed by the Prime Minister (ILGS, 2010). That notwithstanding, the amendment of the 1971 Act in 1974 had enabled the creation of a four-

tier structure of LG. Ahwoi (2010) observed that, the local government structure involves the regional councils, district councils, municipal, urban, area and local councils and the town or village committees.

The emergence of the new Local Government System (LGS) resulted in the establishment of 58 districts, 273 municipals, urban, area and local councils and were mandated with the responsibility of developing their localities. Unlike the old system, the new system adopted an integrated approach to LG, which reduces or eliminates differences between the national government and LGs.

The 1979 constitution had empowered parliament to establish district councils, villages, towns and area committees though it was significantly not different from what had been created because of the 1974 Local Administration Amendment. It must be noted that the introduction of the power of appointment to appoint members into the unit constitute the main difference. However, the appointive power was given to the traditional authorities. This had brought traditional authorities into LG again after Act 54 of the 1961 excluded it. While two thirds of members of the units were elected based on universal adult suffrage, the native authorities selected the remaining one-third. The functions of the LG councils were just still the same as before (Ahwoi, 2010).

In line with the provisions of the 1979 constitution contained in chapter 20, amendments were made to 1974 Act in 1980 and was substituted with the part one of the Act 359 of 1971 (Ahwoi, 2010). The amendment reconstituted the membership of the LG Units. Though the traditional authorities have been given space in the new amendments, the powers of appointment were conferred to the president of the Republic of Ghana and two representatives from the Regional House of Chiefs at the various regional councils (ILGS, 2010). There were no other reforms in

the LGS until the current system of LG that was instituted by the law on decentralization of the Provisional National Defence Council (PNDC) Law (Law 207) in 1988.

Although significant Local Government reforms were made, the reforms were not very adequate until 1988 when the new local government system (LGS) emerged (ILGS, 2010). The legal and political framework as well as the structure and composition of the new LGS are explained below.

2.3.3. Decentralization in 1988 and Beyond

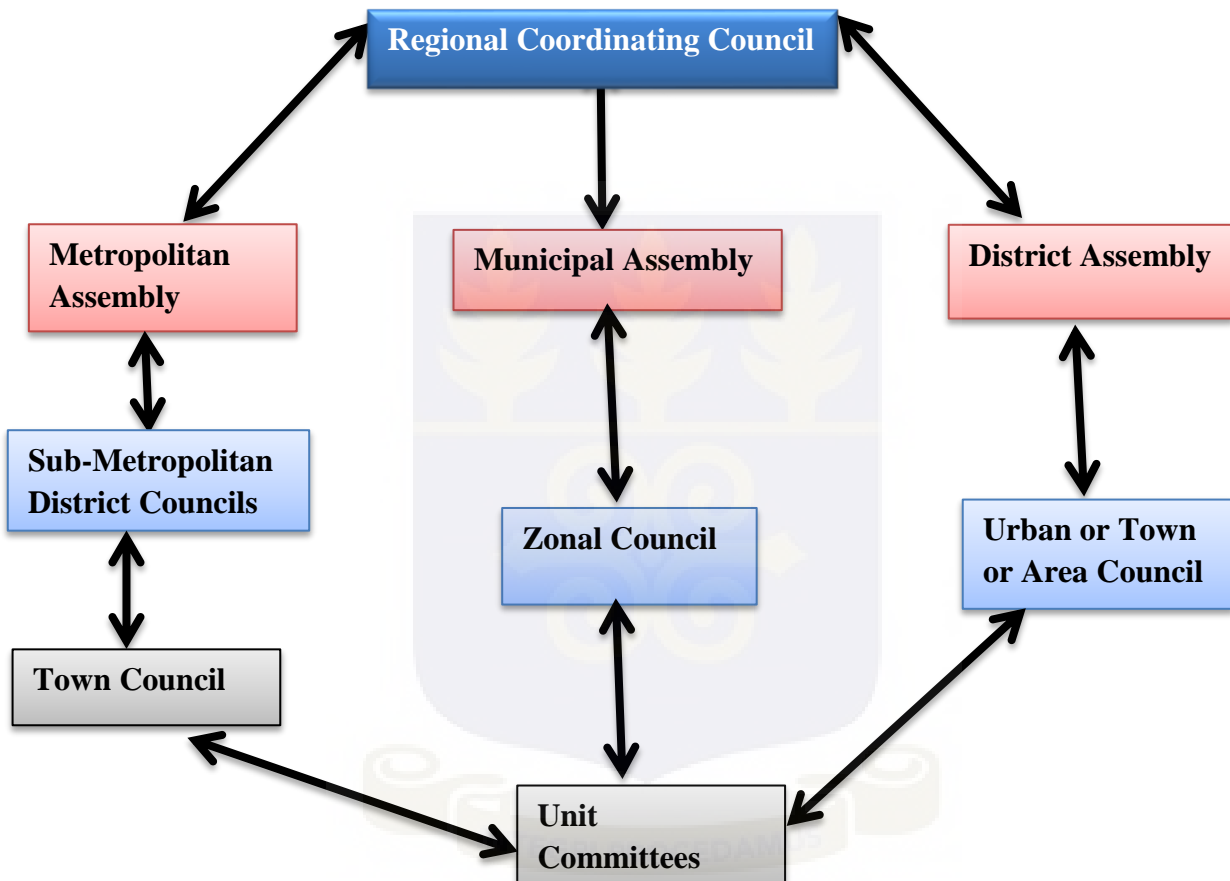
Ghana in 1988 had initiated the current system of decentralization which is enshrined in the 1992 constitution. The PNDC Law 207 of the Local Government System passed in 1988 had enabled the creation of 110 Districts and ten (10) regions with the District Assemblies (DA) as a key institution of the newly created districts in the ten regions of the country. The success of the decentralization was manifested by the current increase in the number of districts to 216. The 1992 constitution has also provided the legal background for the realization of decentralization in Ghana. Article 240 (1) of the Ghanaian constitution asserts that “Ghana shall have a system of local government and administration which shall, as far as practicable, be decentralized” with “functions, powers, responsibilities and resources transferred from the Central Government to local government units” (Article 240[2][a]). In addition, “make democracy a reality by affording all possible opportunities to the people to participate in decision-making at every level in national life and in government” (Article 35[6][d]).

2.3.4. The Composition of the New Local Government System

The new local government system (LGS) consists of the regional coordinating council (RCC) and four-tier metropolitan and three-tier municipal/ DAs structure. In all, there are ten RCCs,

216 Metropolitan, Municipal and District Assemblies (MMDAs) (comprising of 6 metropolitans, 49 municipals, 161 Districts), over 2000 Urban, Zonal or Town or Area Councils and more than 20,000 Unit Committees that have been approved by law (ILGS, 2010)

Figure 2.1. The Local Government Structure



Source: Guide to District Assemblies in Ghana, (ILGS, 2010)

2.3.5. The Regional Coordinating Council (RCC)

The RCC comprise of the regional minister as the chairperson, his deputy or deputies, the DCE of each district and the presiding member of each DA in the region, two chiefs from the regional house of chiefs and heads of decentralized departments who have no voting rights. The RCCs were created in all the regions of Ghana and are the highest level of LG in Ghana. As an administrative body, it is responsible for monitoring, coordinating and evaluating the

performances of the DAs in the region (Local Government Act 462 of 1993). They also monitor the use of finances that have been allocated to them by government or any agency (ILGS, 2010).

2.3.6. The District Assembly (DA)

The 1988 reforms contain democratic local elections that were based on non-partisanship where candidates are not to contest on the ticket of any political party (Crawford, 2008). Election to the District Assembly is held once every four years and at least six months before or after a general election of members of parliament (Local Government Act 462 of 1993).

The composition of the District Assemblies consisted of “One person from each local government electoral area within the district elected by universal adult suffrage; the member or members of parliament from the constituencies that are within the authority of the District Assembly as members without the right to vote; the District Chief Executive of the District”. In addition, “other members not being more than thirty percent of all the members of the District Assembly, appointed by the president in consultation with the traditional authorities and other interest groups in the district” (Article 242 of 1992 Constitution).

The elected representatives of the District Assembly serve as representatives and a link between their communities and the DA. The demands and views of their community members are communicated through them. The appointed representatives are to provide professional and technical expertise to the District Assembly and to give representation to traditional leaders and stakeholder groups. The appointees are however viewed by many as loyal and partisan to the governing party and are being appointed based on their political patronage (Crawford, 2008).

The District Assembly decisions are taken during General Assembly meetings, which takes place at least three times a year and is organised and presided over by the Presiding Member (PM). The PM is also elected by the Assembly Members. Crawford (2003, p. 242) noted that most of the work of the district assembly in practice is done by the Executive Committee (EXECO), described by Ayee (2003) as “the nerve of the DA”. The EXECO is composed of about one-third of the Assembly Members. It meets every month, presided over by the District Chief Executive (DCE).

The Role of the District Chief Executive: The DCE is the political and the administrative head of the District appointed by the president and approved by not less than two thirds of the majority of members of the Assembly. He is a local activist of the ruling party, and is appointed to a term of four years, subject to renewal of a second term. The DCE as chairperson of the EXECO is an influential and ex-officio member of the DA. The DA is staffed with civil servants headed by the District Coordinating Director (DCD) who is answerable to the DCE. Hence, with the exercise of both administrative and political powers, the DCE is the most powerful figure in the district.

The Powers and functions of the District Assemblies: The DA comprise of the elected members, member(s) of parliament (MP), government appointees not more than thirty percent (30%) of the total number of elected members of the assembly and the DCE. The PM is elected by assembly members and presides over all meetings of the Assembly. The DA has enormous powers as enshrined in the constitution. The 1993 Local Government Act has endorsed the DA as the “highest political authority in the district which shall have deliberative, legislative and executive powers” (Article 241[3]). The major functions performed by the DA include the following: “the formulation and execution of plans, programmes and strategies for the effective mobilization of the resources necessary for the overall development of the district” (Article

245[a]); coordinate and harmonise the development partners and the decentralized departments and non-governmental organisations.

All these functions were specified in the Legislative Instruments that establish each DA with respect to PNDC Law 207 in 1988 and Act 462 of 1993. Despite all these defined functions of DA, the functions of DA and the central government departments and agencies are still blurred. The central government departments and agencies still interferes in the performance of the local governments by setting policies and priorities that in a way compels the DAs to comply. An example is the DHD and the District Education Service that are still under the control of their mother ministries, Ministry of Health and Ministry of Education respectively. This suggests that full functions and authority have not been devolved to DA yet (Ayee, 2004; Crawford, 2008). The decentralized departments in each district are still responsible for providing basic public services such as education, health and agricultural extension services with support from the DA (Crawford, 2008).

The powers of the DA will increase tremendously if all decentralized departments are placed under their control. Despite the passage of the Local Government Service Act that was to give way for all decentralized departments to be under the control of the DA's, implementation has not been fully executed.

Financial resources: the sources of fund for the DA are mainly two; intergovernmental transfer and internally generated funds (IGF). The District Assembly Common Fund (DACF) is set up by the 1992 constitution "with annual allocation of not less than five percent of the total revenues of Ghana" (Article 252 [2]). The DAs also have the power to generate their own resources through their annual fee fixing resolutions. This is however limited especially for districts with low economic activities. This is also partly due to what Nkrumah (2000 in Crawford, 2008: p. 243) has noted that, "the lucrative tax fields" are taken by the central

government, while “low yielding taxes such as basic rates and market tolls” belong to the local governments. Other possible source of funds to the DAs is the Donor Agencies (Local and International Donor organisations) but these funds do not flow regularly to the DAs and when they do flow, it is usually with less control over its expenditure by the DA (Crawford, 2008).

2.3.7. Sub-District Political / Administrative Structure

They are sub bodies under every district assembly that carry out tasks determined by the instruments that set them up or transferred to them by the assembly. They consist of the Sub-Metropolitan District Councils (DCs), urban or town or zonal or area councils and the unit committees (ILGS, 2010).

Sub-metropolitan District Councils: This structure is directly under the metropolitan assemblies. It is created based on the need for subsidiarity and in view of the large size of the metropolis (ILGS, 2010). They are created to reduce the pressure of socio-economic, urbanisation and management problems confronted by the metropolis. This is to facilitate city administrators to effectively solve numerous problems of the city. The council is zoned into electoral areas and is consisted of at least twenty-five and at most thirty members. All members of the assembly elected and or appointed by the president in the sub-metropolitan district should reside within jurisdiction of the sub-metropolitan district council. A list of Sub-metropolitan councils are provided at the appendix 4

Urban Council: this structure is established for localities with over fifteen thousand populations and is multicultural in nature, characterised with city development and management challenges. The membership of the council is not more than 30 and is also not less than 25. The composition of the council consists of a maximum of eight elected members from the respective area/district assembly, a maximum of twelve agents from the unit

committees within the jurisdiction of the urban council and a maximum of ten ordinary citizens residing within the area of the urban council (ILGS, 2010).

Zonal Councils: They are made up of a minimum of 15 members and a maximum of 20 members. This consist of elected members not exceeding five residing in the zonal area, a maximum of ten representatives from the unit committees and ordinary citizens residing within the zonal area. They are created based on conditions of a population of 3000, identified streets, homogeneity of interest, geographic features, etc. as boundaries (Act 462 of the 1993 Local Government Act).

Town or Area Councils: This is made up of at least 15 and at most 20 members consisting of elected members not exceeding five from the relevant area or town, not more than ten-unit committee representatives and at most five ordinary persons residing within the town or area.

The unit committee comprise of at most fifteen persons who consist of ten elected members residing within the unit and at most five other people dwelling in the unit appointed by the DCE (on behalf of the president).

Elections of members to the local government councils and the various sub-units are politically non-partisan and are conducted by the electoral commission of Ghana sponsored by government.

2.4. Advantages and Disadvantages of Fiscal Decentralization

Decentralization has been potentially identified to be desirable in some countries and otherwise in other countries. Many advocates of decentralization have identified quite a number of potential benefits of decentralization. Most of these possible benefits of decentralization point to improve governance, efficiency and equity. The realization of these benefits turns to enhance economic development and reduce poverty. It is also believed that, the extent to which these

benefits can be achieved largely depends on the form of decentralization (devolution of powers and autonomy) being pursued. Nevertheless, it must also be noted that, studies had shown the undesirable nature of decentralization. This section is dedicated to explaining the merits and demerits of decentralization.

2.4.1. Advantages of Fiscal Decentralization

The first advantage of fiscal decentralization is economic efficiency. The basic economic reason for decentralization is the efficiency in the provision of services and the authority of local governments in allocating resources within their area of jurisdictions. Yamoah (2007) and Boschmann (2009) shared the same view. People are different everywhere and with varied needs for public services. Local leaders live with the people, have access to local information, know local problems and feel the same conditions with the people. So they are in a good position to identify the needs and priorities of the local citizens and allocate resources efficiently (Smoke, 2003). It is certainly a fact that there are services that cannot be provided by local governments due to either the quantum of service needed to be provided or the effect that service may have on other jurisdictions. In such instances, the central government holds the responsibility to provide and or control those services. Poverty can weaken decentralization in developing countries by limiting the preference of differentiation and this may increase public overhead expenditure, as a result affect productive and allocation efficiency (Prud'homme, 1995).

Decentralization can also enhance LED through the provision of services and inputs to local businesses or entrepreneurs; provision of legal and constitutional framework favourable enough for development; and finally coordinating both local public and private businesses by creating partnerships that enhance development (Asante and Ayee, 2010)

Improved equity: The local people are more familiar with their own situations; know their problems best and therefore, in a good position to tackle their problems by equitably sharing their resources judiciously in relation to their priorities. They are however constrained by limited resources; therefore, central government should redistribute resources to the poor areas that are unable to generate their own resources. Local governments will not willingly redistribute resources in their areas unless they are compelled by the central government or by policy directives to ensure political participation and inclusion (Smoke, 2003).

Improved Governance: People are more likely to identify themselves with local governments if their interactions with local leaders will lead to decisions and actions consistent with their wishes. Citizens will be better connected to the local governments than central government since their influence and interest are taken into consideration. At least the fact that the citizens can easily approach local authorities with their problems and influence directly their leaders' decisions in a modest way gives the citizens a sense of confidence and autonomy. However, national goals or interests supersedes local interests, therefore it is not everything they request for which should necessarily be granted to them.

Improved development and poverty reduction: A major advantage of LG is its' contribution to local economic development through many ways as identified by Smoke (2003, p. 10): First, "local governments provide services that serve as production and distribution inputs for local firms and entrepreneurs. Second, they contribute to legal and institutional environment that are conducive for development. Third, they can help to coordinate key local public, private and community actors in creating partnerships that promote development". Though local governments may not be able to provide certain types of services –such as capital intensive infrastructure, economic development largely depends on institutional and macro-economic factors. Local economic development is also a crucial development strategy for sustaining poverty reduction, though, not sufficient (Helmsing, 2001).

Fiscal decentralization allows local authorities to deliver different mixtures of public goods and services that is in consonance with the priorities of the citizens living within the locality (Oats, 1972) more than centralised governments.

Centralised governments might not be able to provide public goods and services that will reflect the interest and priorities of the local people. Instead, the central government may deliver uniform packages of public goods to all citizens without any regard for locational differences and priorities. When this happens, inefficient allocation of public resources will certainly be the result.

Decentralization offers the opportunity to deliver public services that reflects the needs and preferences of the locals and ensuring accountability and responsiveness of the government. Sakyi, Azunu and Bawole (2011) noted that decentralization has a positive impact on health planning structure, actors and processes and therefore a better alternative to centralised planning systems.

2.4.2. Disadvantages of decentralization

Although much has been said about the potential benefits of decentralization, in addition to strong calls for decentralization in most developing countries in Africa, there are still problems that need to be considered in adopting any decentralization programme.

First, decentralization can lead to unequal development and discrepancy across localities giving impetus for an increase in macroeconomic instability and institutional fragmentation by partisan local politicians (Prud'homme, 1995; Asante et al, 2010). Local politicians may turn to deliver their own interests rather than the interests of the larger group, which can also bring about conflicts. A practical case is the Nkwanta South DCE of the Volta Region of Ghana who was murdered in cold blood by his own people purported to be pursuing the interest of a minority group to which he belongs to in the district (Adomonline.com. 3rd November 2014).

As the resources of a country are not evenly distributed, decentralization may serve to deepen the imbalance among districts and regions in the state. Poor districts would become poorer with devolution because they would not have the needed resource to stand on their own. It does not make complete sense to implement decentralization and yet local governments will continue to depend on the state for their needs (Prud'homme, 1995; Asante et al, 2010).

Secondly, inadequate financial resources in addition to mismanagement of the scarce resources and lack of accountability militates against efficient service provision to the poor in particular (Smoke, 2003). Inadequate qualified staff at the local government units who will utilise public resources efficiently to address local problems is a major challenge. If this condition exists in local units where there are no internal and external control systems, local governments may fail to account to the people and may even be more susceptible to corruption.

As the rural poor may not be in the position to hold local authorities accountable, corruption will be more spread at the local units (LU) than the national level (Prud'homme, 1995). Although on average, decentralized corruption will be better than the centralised corruption where the resources will not even be distributed. Nevertheless, cumulatively, corruption would be higher, as a result reduce productivity, and increase the cost of efficient resource allocation. This is so because the provision of goods and services at any time will be costly as the levels of 'kickbacks' are higher. Obviously, low productivity, inefficient strategies, technology and resource waste is the result of decentralized corrupt systems (Prud'homme, 1995; Asante & Ayee, 2010).

In addition, decentralization can cause serious regional divisions and disintegration that will be very detrimental to a nation that has some of its regions being poor (Asante & Ayee, 2010). Decentralization in a way encourages influential or wealthier regions to agitate to be autonomous and to operate independently on their own. This can affect poorer regions or local governments who do not have the resource to operate self-sufficiently (Asante & Ayee, 2010).

Again, decentralization can lead to unnecessary spending and wastage of public resources by the inexperienced local political leaders. Local leaders who have little or no training about how to manage public funds in addition to their political ambitions, cause a lot of spending. They may tend to focus too much on achieving their own ambitions of becoming political leaders to the detriment of the interests of the people. Here, resources would be used for electoral process instead of developmental activities. Even though central government also does the same thing, the quantum of public resource wastage becomes higher as more local units are established (Asante & Ayee, 2010).

Finally, there is no automatic link between decentralization and democracy because the transfer of power and autonomy may serve to supplement the influence of elites and the wealthy citizens in the local areas who by means of their wealth are already powerful as against the poor ones. The elitists will then use the resources to enrich themselves more and make the poor poorer.

2.5. Local Economic Development

Local economic development is gaining an increasing recognition globally and LED planning schemes are closely linked to the changing world economy (Rogerson, 2014). Local economic development is perceived by different scholars in different ways. What is considered “local” is varied and is determined by the local people or the community members. In a general sense, “local” is defined as “the physical space where the mental and social worlds are interactively produced” (Bengt, 2007, p. 9). This means that community members must play a role in the organisation of LED. Local economic development is considered as “the process in which the partnership between community-based groups, governments and the private sector are set to manage the existing resources to create jobs and stimulate the economy of a well-defined territory” (Helmsing, 2001, P. 64). It concerns the use of potentials of the human, institutions

and fiscal resources by exercising local control. Usually local economic development initiatives require that organisations, actors, institutions and resources are mobilised in addition to the creation of new institutions and local systems through partnerships and strategic actions (Helmising, 2001).

LED in the District Assemblies' organisational framework operates in two ways with different levels of authority. That is, LED may be incorporated into either the Mayor / MMDCE or the Planning Office or be established as a separate department with its own staff responsible for planning and implementing LED policies. From the functional perspective at the district level, LED is institutionalised in two ways; first, LED is operating as a role of the district assemblies or local authorities and second, through bodies which are charged with obligation of implementing LED.

The practice of economic development is viewed from two main contrasting perspectives. Bengt (2007) has identified the contrasting perspectives. First, voluntaristic view is that when plans are formulated, the requisite resources would be made available for implementation. Second is the deterministic view, which states that people working in a formal organisation or a community are challenged with external forces to which they have to identify and overcome them. The most appropriate coping strategy is reaction. Bengt (2007) observed that the contrasting views stem from the same paradigmatic assumptions and need to be identified. When the contrasting views are identified, it helps to determine whether it is a voluntaristic view or a deterministic view.

2.5.2. Regional and Local Economic Development Theory

Local economic development (LED) is an emerging field with no theory or a set of theories adequately explaining Regional and Local Economic Development (RLED) but many partial

theories point at a common underlying principle (Blakely & Bradshaw, 2002). The summation of these various theories are explained by Blakely and Bradshaw (2002) as

$$\text{“Local and regional development} = c \times r,$$

Where *c* equals an area’s capacity (economic, social, technological and political capacity) and *r* equals its resources (natural resource availability, location, labour, capital investment, entrepreneurial climate, transport, communication, industrial composition, technology, size, export market, international economic situation, and national and state government spending)” (Blakely & Bradshaw, 2002, p.55).

A value of ‘*c*’ is equal to 1 which signifies “a neutral capacity that neither add to nor detracts from the resources of a community”. A value of ‘*c*’ greater than 1 signifies “a strong capacity when applied to (multiplied by) resources, increases them” (Blakely & Bradshaw, 2002, p. 55). In addition, a ‘*c*’ value less than 1 denotes a weak “community capacity (low-functioning social, political, and organisational leadership), whether due to cronyism, corruption, self-interest, disorganisation or ineptitude, that when applied to resources, decreases them and hampers development” (Blakely & Bradshaw, 2002, p.55).

Resource capacities can be measured in several ways and different theories give importance to diverse resources including markets size, raw materials, government spending, infrastructure, access to credit and communication. Blakely and Bradshaw (2002) observed that most theories of economic development have initially concentrated on only the ‘*r*’ aspect of the equation (resources) to the neglect of the ‘*c*’ part (capacity). For instance, while location theories emphasise the advantage of being close to raw materials or markets, other theories focused basically on infrastructure and the need to invest on a number of these projects (building roads, airports, telecommunication hubs and markets).

2.5.3. Attraction Theory

This theory is grounded in location theory and is a theory of economic development widely used by communities (Blakely & Bradshaw, 2002). To attract investors, entrepreneurs, new migrants among others, district assemblies have formulated policies and programmes that are geared towards making their districts more attractive to gain competitive advantage over other districts with similar prospects. The assumption underlining this model according to Blakely and Bradshaw (2002, p.65) is that “community can alter its market position with industrialists by offering incentives and subsidies”. This implies that a new economic activity can result in the expansion of the economy, creation of wealth and broaden the tax base of the government. The wealth generated from this can then replace the initial private and public subsidies. Nevertheless, it is evident that much of the costs is actually borne by tax payers and workers of the district (Bluestone, Harrison, and Baker, 1981).

Attraction theories have moved from their traditional focus of attracting industries to attracting entrepreneurs particularly with certain socioeconomic backgrounds to the area or community. Communities in this theory are seen as products and therefore must be packaged and displayed appropriately. Though some people regard this mode of economic development with doubts, there is an anecdotal evidence of the success of community promotion and that communities should not “hide its virtues under a bushel basket” (Blakely & Bradshaw, 2002, p. 66).

2.5.4. Conceptual Framework

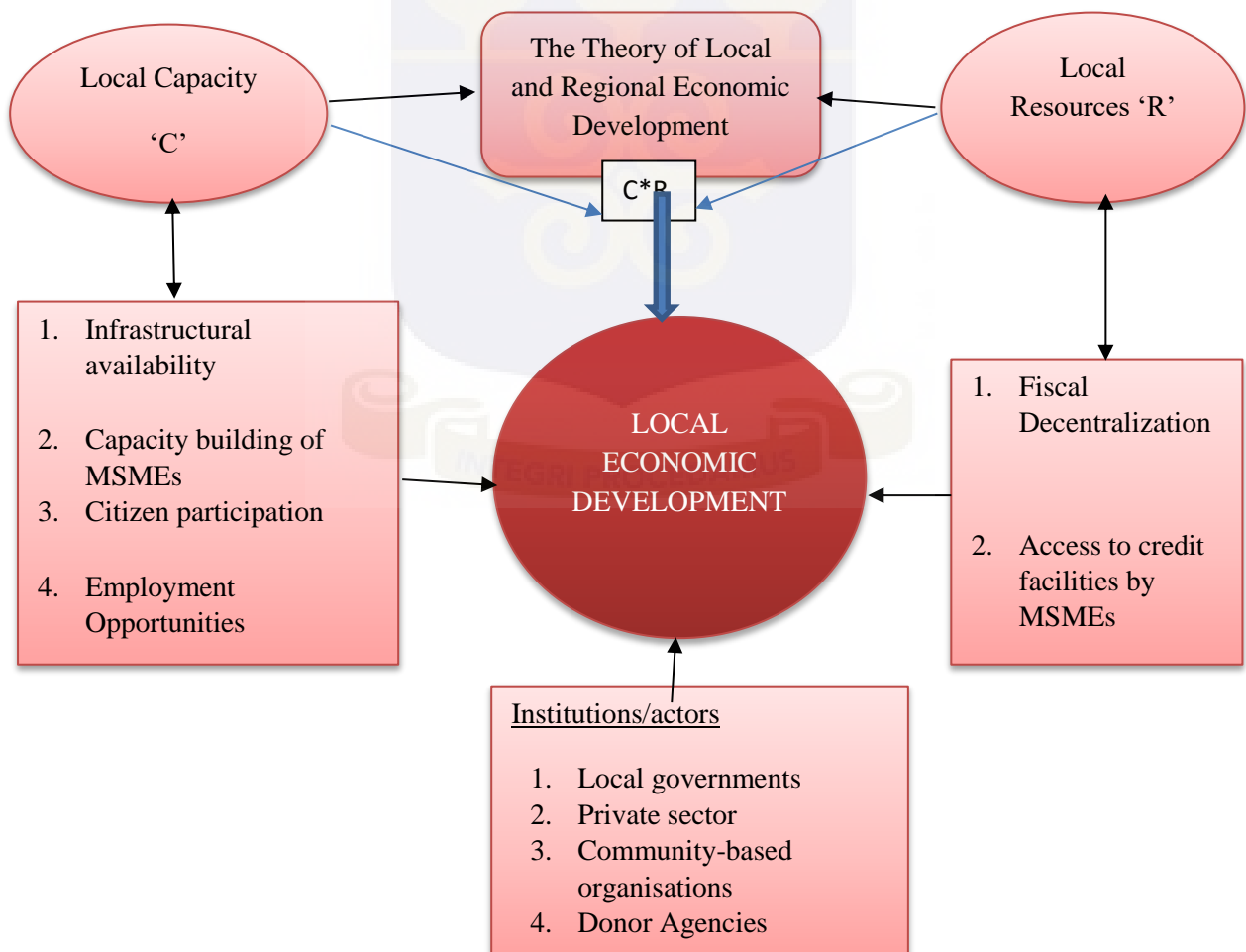
The availability and control of resources by local units will enable them achieve LED. Many factors are used to determine LED. These include locational factors, physical factors, human resources, business culture, infrastructural factors, capital and finance, knowledge and technology, quality of life and industrial structure (Wong, 2002). However, this study has used some components of LED from Helmsing (2003) and Wong (2002) including infrastructure

factors, human resource factor and capital and finance factors using some key indicators from each factor as proxies for LED.

Linking the conceptual framework to the theory of local and regional economic development, the ‘r’ component of the theory represents the fiscal resources of the locality (that is fiscal decentralization, access to credit facilities) and the ‘c’ aspect is the capacity of the district (citizens participation in decision making, local MSMEs capacity building, employment opportunities, infrastructural provision). The factors comprising the ‘r’ and ‘c’ components of the regional and local economic development are explained beneath the conceptual framework.

The framework of fiscal decentralization as well as LED is illustrated on a diagram below.

Figure 2.2. Structure of the Conceptual Framework



Source: Author’s own Construct, 2016

Effective fiscal decentralization is believed to enhance the provision of physical infrastructures, enhance the capacity building of local entrepreneurs, provide financial services to SMEs and increase citizens' participation in district level planning and implementation of LED programmes. The provision of these conditions ensures a sound and supporting environment for local economic growth and development.

Participation: participation in LED planning is an important element for the success of LED and is a multi-actor affair (Helmsing, 2003). As indicated by Helmsing (2003, p. 74) “participatory formulation of a development strategy plays an integrating role. It identifies the overall local development priorities; defines strategic issues and related action programmes, both for private and public sectors”. Most of the South African cities (example Cape Town) “have developed participatory local strategies”. It is generally agreed that when projects and programmes are designed without taking into consideration the views, needs and constraints of the intended beneficiaries, the expected outcomes may not be achieved (Oduro, 2001). In addition, stakeholder participation and contribution to policy designs increases ownership and improves long term impacts (see Cities Alliance, 2007) The appropriate institutional structure must be put in place to facilitate the participation of the intended beneficiaries in the design and implementation of local economic projects and programmes.

Infrastructure: The provision of basic infrastructure and services such as water, electricity, street lighting, access to roads and markets with special consideration of the diversified demand from micro and small enterprises (Helmsing, 2003) facilitates local economic development. Land development is also key in attracting potential users. Public-private partnerships can support local governments to increase the delivery of infrastructure.

Provision of Financial services: Funding is the backbone of every organisation. Micro small enterprises require access to capital to expand their businesses. Local governments are unable

to provide direct financial support to MSMEs however, local governments as part of their facilitating role of LED can collaborate with some of these financial institutions to locate in the locality. Local authorities can place inducements such as tax waivers and reduce rent of facilities (stores, lands) that would encourage these financial institutions and other private bodies to stay or come to their localities. Districts with these facilities are more likely to attract investors to their area, since investors can have access to financial services.

Capacity Building: One of the assets at the local level is the availability of cheap labour. As postulated by location theories of LED, industries may relocate to places that they can have access to labour (Blakely & Bradshaw, 2002). Local governments can facilitate local development by providing periodic training of programmes to community members in areas of local policy formulation and implementation. Though the private sector can enhance the capacity of local authorities to provide these services, local governments should take full responsibility when private sector is unwilling or not ready to step in.

Employment Creation: Employment plays a significant role in LED. The district can facilitate local employment by setting an enabling environment for private section to do so. There are many examples where local governments in developing worlds create more facilitative environments for the functioning and development of micro-enterprises (Stren and Gombay, 1994; Rogerson, 1999).

2.5.5. Actors of LED

Localities and regions in recent times have urged to assume responsibility for their own development. There are various ways or processes to which local actors can do so. Developing skills and competencies for local development policy can be strenuous. The actors that are involved in LED have increased, including communities, governments, organisations, and non-

governmental organisations (NGOs) and private enterprises. Some of these actors explained by Helmsing (2003) is provided below.

- A. **Community-Based Organisations:** this may refer to grassroots territorial CBOs or self-selected grassroots groups. The former one is more representative and serves a lot of purpose. Helmsing (2003, p. 75) noted that, “often, territorial CBO’s are framed by local traditions and customs and increasingly also by local or national government legislation”. The self-elected grassroots groups usually serve a single purpose for instance, a man’s football club. These groups are less hierarchically structured and is more homogenous (Helmsing, 2003).
- B. **Local Government:** Local governments are one of many leading actors of LED. Local authorities are largely required to play the lead role in creating an enabling environment for LED. However, local authorities spend only minute amount of their budgets on direct LED support (Helmsing, 2003). Local governments functions to enhance service delivery and serve as source of economic opportunity for accelerating local enterprise development and competitiveness.
- C. **Local Producers and their Associations:** Local producers are important stakeholders of LED that spearhead the creation and expansion of enterprises. The joint action of firms and associations plays a critical role. However, it is often difficult for producers to combine both competition and cooperation (Helmsing, 2003). According to Helmsing (2003), some commentators have shown that inter-firm and joint cooperation is not easily achievable and thus requires a kind of external interventions.
- D. **Donor Agencies/ Non-governmental Organisation:** Actors of LED development is not limited to only local institutions, but to other sectorial, national and international agencies. Participation of these stakeholders may promote LED. Donor agencies like Japan Social Development Fund facilitate local economic development.

2.5.6. Determining the LED Factors

The location inequalities of LED have motivated many policy makers and policy analysts to identify the economic and marketing strategies to boost local competition and efficiency at the local and national level. So many factors can be used to measure LED. However, how to measure some of the indicators is another challenge (Wong, 2002). According to Wong (2002), there are eleven (11) broad factors that are regarded to be very important to LED and through a comprehensive empirical literature review, there was a set of indicators that have been identified as measures of the eleven (11) factors. Assessment of these factors adequately serve as a measure of LED. Wong (2002, p. 1834) defined indicators as “proxy measures to provide operational definitions to the multidimensional concept of LED”. The indicators covered areas including economic, social and physical dimensions of LED. The definition and fitness of classification of these factors may vary from study and context to another.

Table 2.1 shows the list of factors of LED that guided the selection of indicators. It is evident that some factors (such as capital and finance, physical and industrial structure, and human resources) are relatively easier to measure than other factors (like intangible factors such as institutional capacity, quality of life, community image and business culture (Wong, 2000). The relationship between LED and some of the factors such as industrial structure or infrastructure, knowledge and technology is not clearly tackled. This is because of the inadequate availability of data and methodological difficulties in substantiating the relationship. There have been agreement over the significant contribution of the immaterial factors. However, the theories and the existing literature on these factors are not adequately established because the causal link among the factors and the LED process are not generally direct (Wong, 2002).

Table 2.1. Definition of LED Factors

LED Factor	Study Definition
Locational factors	Refer to attributes external to an area; the accessibility advantage gained from the spatial interplay between an area and its partners in the production and consumption process—for example, the markets, the suppliers, major business centres.
Physical factors	Refer to the availability and cost of suitable sites, premises and other built environment resources for development.
Infrastructural factors	Embrace the more immobile and long-term fixed production factors of an area; they are public goods as well as capital goods, which facilitate the development of other economic development activities.
Human resources	Include the availability, participation level, quality, attitude, cost and other characteristics of the workforce.
Capital and finance	Are the financial resources (such as money and credit) available for investment in local businesses and for economic development purposes?
Knowledge and technology	Include frontier activities in research, knowledge development and technological innovation.
Industrial structure	This is the mix of industrial sectors in an economy; the degree of concentration of a few industrial sectors may affect its growth potential or vulnerability to economic changes.
Quality of life	Refers to the desirability of a place for living in terms of its non-marketable public goods, which include the quality of the natural and built environment, public amenities and cost of living.

Business culture	Refers to the entrepreneurship and the dynamics of indigenous business activities such as the ability of business start-ups and the capacity to innovate and adapt.
Community identity and image	Include the degree of mutual co-operation and social responsiveness of the residents to their daily living in a community, their attitude to business development and how this 'character' is being perceived by the outside world.
Institutional capacity	Refers to the coherence of local policies and the co-operation among local actors to provide support and assistance to economic development activities.

Source: Wong (2002) Developing Indicators to Inform Local Economic Development in England

Traditional factors such as land, labour, capital, infrastructure and location were rated among others as the ingredient for successful LED (Wong, 2002) while human resource appears as the most common factor rated higher by actors of different views on LED. Other scholars have identified participatory local economic planning, physical planning, urban planning and design, infrastructure and socio economic overhead capital as the important components (Helmsing, 2003). The study therefore used locational, infrastructure, business culture, human resource (participation of citizens) and capital factors as proxies for LED. Vazquez (2002) observed that LED would be beneficial, if there is employment for the local people, social interaction, creation of physical infrastructure and developing the skills of individuals and groups.

Though there are many other factors that might influence the success of LED, these factors were carefully selected in view of the significant contribution to the success of LED that is

generally identified and recognised by actors of different perspectives of LED (Wong, 2002, Helmsing, 2003).

2.5.7. Local Economic Development in Ghana

LED in the simplest form responds to the needs of families and individual households trying to enhance their living conditions through investment in their present livelihood activities or attempting to start new business (Wekwete, 2014). Wekwete noted that local authorities managing LED should provide services including entrepreneurship training, local financing, infrastructure investment, technology and mentoring support.

The central government is “the hub of policy” formulation, “institutions and funding for public sector developments” (Wekwete, 2014, p. 19). LED exists within the national policy framework of sector ministries or special agencies that support local development programmes. One main role of implementers of LED is to involve opinion leaders, local policy makers and local stakeholders to identify their needs in order of importance to them and support the implementation process.

Infrastructure, institutional development and investment from sector ministries is only supportive of LED development when resources from the centre are transferred to local levels (through fiscal decentralization) and are supplemented by local efforts to mobilise and raise their own revenues. The role of central government and ministries should primarily be concerned with shaping both the policy and investment instruments leaving implementation to be shaped by local organisations. This balance of responsibility and commitment is a critical prerequisite for sustainable LED (Wekwete, 2014)

For LED to be effective, it must be considered as a long term national economic development plans and not as a seasonal ad hoc programmes undertaken only when some donor funds are available (Wekwete, 2014).

2.5.8. Selecting a Local Economic Development Role

Local Economic Development Planning is done at the local level guided by the District Development Planning Officer. The LED plans however, must be within the national local economic development policy framework. The regional coordinating council also gives coordinating roles to ensure that the formulated plans are feasible and implementable. Once plans are formulated, “any organisation interested in LED needs to be clear about the role it needs to play in the process” (Blakely and Bradshaw, 2002, p. 85).

Organisations have constraints emanating from their historical and current roles for which they are established. It is often difficult for organisations to go beyond their mandate (Blakely & Bradshaw, 2002). The District Assembly has been established to bring government closer to the people. District Assemblies therefore have the responsibilities to provide services, employment and overall development to the district. According to Blakely and Bradshaw (2002), there are four courses of action open to organisations: the role as an entrepreneur, a coordinator, the facilitator, a stimulator or any combination of these roles.

The role as an entrepreneur: in this role, organisations are to operate their own business enterprises. Local governments or community-based organisations can operate commercial enterprises by themselves (Blakely & Bradshaw, 2002). Lands or buildings controlled by district assemblies for conservations or future development can be transformed into economic purposes. It is very apparent that District Assemblies can take great opportunity of the commercial potentials of lands and buildings under their control. Road verges, beaches, forest reserves and tourist sites may be used for a variety of activities that creates jobs. The development of special “themes” or talents for particular localities can increase visitor traffic and that is a great potential for commercial operations.

Community based organisations can be in the right position to operate enterprises as employment creators when private enterprises are not, or the delivery of certain service to which the private sector may be unwilling to take such risks (Blakely & Bradshaw, 2002). There are times where local governments or DAs provide goods and services (employment such as GSOP projects) for their own operation, especially when these goods and services would be imported from outside the area or locality (Blakely & Bradshaw, 2002). For example, the provision of hotels, tree planting, leisure parks, washing bays and concrete or crushing plants.

When a district assembly has an objective to redevelop its “depressed industrial or commercial areas in order to increase local trade, employment, revenue, it can take an active role either individually” or by collaborating with private enterprises or community based organisations (Blakely & Bradshaw, 2002, p. 86).

The role as a coordinator: Local governments or community based groups can play the role of coordination to formulate policies or strategies for local development. Since services provided by both government and by community and business entities have a local impact, local councils are increasingly assuming leadership in planning and coordination of services within their localities (Blakely & Bradshaw, 2002). Part of this role to LED may include DAs or community groups collecting and evaluation economic information such as workforce, employment levels, unemployment, establishments and property data bases. The DA may also work with other government departments/ agencies, community-based groups, donor agencies and business organisations to formulate economic plans, objectives and strategies. This approach can also ensure consistency with national economic policy and strategies that would give the local economy a maximum attention.

Economic development plans or tourist development plans that have been prepared in some areas can be synthesised as a joint development plans between the spheres of government and other sectors. Blakely and Bradshaw (2002, p. 87) noted that, “plans developed and imposed by government alone are unlikely to have the same level of commitment or resource input that joint plans would have”.

Regional planning bodies with representation from each sector usually work effectively with government to produce these plans. A regional approach will normally be more effective because government attention will be focused on regional economies. It will also represent a more manageable level of cooperation between state and local governments. Regional bodies that adequately represent all sectors, and that produce realistic analyses and approaches, are likely to have high credibility with government and thus considerable political influence (Blakely & Bradshaw, 2002, p. 87).

The role as a facilitator: Local governments /district assemblies can promote development by “improving the attitudinal environment in the community or area” (Blakely & Bradshaw, 2002, p. 87). This might include structuring and reforming the development process, improving planning procedures and zoning of regulations and by-laws. District Assemblies may use their planning powers to establish employment or allocate certain developments to particular areas that influence the development of a particular class or section of the economy. Through advertisement or direct approaches by the local authorities, development potentials could also be identified and marketed to prospective business clients.

Elected local representatives and council members can articulate the concerns of the local people by bringing to the attention of the central government the local economic problems and prospects (Blakely & Bradshaw, 2002). This advocacy would be strengthened and considered by the central government if, local governments are able to provide evidence of full support of

business sector and community on the local concerns in addition to the proposed realistic and attainable remedies.

The role as a stimulator: Both the DA, community groups, town and area councils can stimulate business development by taking certain actions to induce firms and other organisations to enter or remain in the community/ district (Blakely & Bradshaw, 2002). The stimulation may involve developing business brochures, establish industrial estates, warehouse and manufacturing workshops.

Local governments or the DA can build manufacturing shops and stores and rent at reduced amounts for operators in localities where the provision of suitable business premises is a problem. In terms of tourism too, district assemblies can also promote a particular activity or site by itself when private sector is not willing to do so. In addition, the DA can organise and sponsor periodic trade fairs to market business potentials (such as craft and leatherwork) in the district. The course of action a town or an area council decides to pursue depends on the situation of the locality (Blakely & Bradshaw, 2002). Community or local government initiatives is not entirely a solution to all local problems but a significant complement to stimulate national economic development.

2.5.9. The Dualistic Model of LED

Several models and theories contribute to the understanding of local and regional economic development. Bengt (2007) has identified three divergent concepts that have contributed to the understanding of the discussion on regional economic development. These perspectives involve (1) the major life-setting in the territory, (2) the general outlook of the people in the area or locality and finally (3) the critical competence needed to implement evolving issues.

The life-setting: The way of life of the rural and urban people is determined by the life-setting of the people. The rural life setting of the people is mechanistic who are bounded together by string ties, solidarity, common characteristics and principles such as reciprocity. Informal institutions guide them. However, in the urban setting, there are weak ties and the people are less bounded together because they are more specialised. Again, the informal institutions give way for formal institutions to guide the conduct of people.

The outlook: a local outlook of the people indicates that there is regard for customary norms and beliefs. This means that the strategies of addressing local challenges and deeply rooted in the established traditions of the people. On the other hand, a global outlook implies that “the mental and social spaces of local communities, their members, individuals as well as collectives, are unbounded and (therefore) quite separated” (Bengt, 2007, p. 14). People who have global outlook engage in long distance /global networking. Therefore, their values and norms may differ significantly from those to which they are networking. As rightly indicated by Rodrigue-Pose and Tijmstra (2009), globalisation reduces the physical and mental space as capital, ideas, goods and people can travel very easily which makes economic development feasible for localities.

The Competence: This component ranges from focused to complex. According to Bengt (2007), focused competence refers to the skills, abilities and experience acquired by members of the locality over time to which they can use to find new ideas and to address challenges that they face. Effective use of focused competence over a period can result in the development of a special skill that will become an innate quality. This innate or embodied quality may even be superior to formal knowledge and analytical thinking. On the contrary, complex competence is the competence derived from the combined skills and knowledge acquired from different knowledge areas that is practiced consistently. Bengt (2007) observed that complex

competence is associated with science based findings but others may also be found in the humanities as well.

2.5.10. Importance of LED

The dynamics of LED in developing countries is influenced by central government agencies. Peasant farmers now depend on both governmental and quasi-government agencies for supports and these agencies are expected to provide important inputs such as seeds, fertilisers and extension (Helmsing, 2001). The prices of crops are largely determined by government and as well as the purchase of cash crops through the marketing boards. Peasant farmers rarely have any choice over the decision of price, how much to grow and the profit to yield. Government mostly dictate to farmers the type of cash crop to produce through their agricultural policies. The macro and small local enterprises are faced with competition on a daily basis as many people are engaged in self-employment. This has pushed many Micro, Small and Medium Enterprises (MSME) on survival strategies, exacerbating poverty rather than promoting economic growth (Helmsing, 2001).

Helmsing (2001) indicated that, in some Sub-Saharan countries, basic services were provided freely to the public by government agencies. Financial assistance (grants, and soft loans) were needed to finance important physical infrastructure and for investment in basic services. Nevertheless, infrastructural investment depends on the decision of government and the ability to obtain donor funding (Helmsing, 2001). Based on this argument, local economic development of an area largely depends on the interventions of central government. For instance, allocation of resources to governmental agencies in agriculture must be considered in a general budget. Again, aid agencies and programmes were allocated or assigned to localities based on general criteria and on the policy requirements of the aid. Regional development policies only served as suggestive guidelines for the spatial allocation of public investment.

The complete control of all aspects of economic life by central government has contributed to the underdevelopment of the local economy.

The successful local economic development could be beneficial in the following ways as enumerated by Vazquez (2002). Employment of local societies and generation of local dialogue or social interaction; Improvement of living standard of local citizens; Creation of physical structures such as markets, roads that promote economic activities; Generation of sustainable employment in businesses that make it enduring to global economic changes; Developing skills of individuals and groups towards high productivity; Increasing the income of households and /many more.

2.5.11. Challenges of Local Economic Development

Local governments have included in their plans to implement local economic development within their jurisdiction and in partnership with private sector. The implementation of LED plans and policies can be carried out by the public sector, the private and non-governmental bodies from different levels depending on their functional capacities and abilities. Despite this, there are limitations or challenges to the implementation of LED. First, the development of local strategies, formation of partnership and coordination of stakeholders among others requires a considerable amount of organisational efforts that consume a lot of time. The process formulation is usually strenuous even before the commencement of the implementation itself and is worse in localities where there are no institutions for associations to register within the local government unit like the District/ Municipal Assembly.

Second, there is the possibility that some district assemblies will not be able to identify and design or implement suitable local economic development strategies. Moreover, the mere involvement of local participants in the selection of strategies is not a guarantee for successful and adequate policies and strategies (Helmsing, 2001). Political interference is another critical

factor that sometimes undermines success of implementation. Interference of politicians can influence and misdirect the location and beneficiaries of LED programmes and activities. The selection of short-term policies that would score political marks may be considered as a detriment to long term and balanced policies that may not have immediate benefits to the public.

Third, successful Local Economic Development lies on policy guidelines. The ability and commitment of local authorities to implement and coordinate LED activities amidst the low level of education of citizens can enhance development. High illiteracy rates due to lack of or poor quality of education can be serious threat to development. Education is very vital for the success of LED. However, most of the districts in Ghana especially in the Builsa North District are associated with high levels of illiteracy (see Builsa North Statistical Report, GSS, 2010) which militates against smooth growth and development of local businesses.

Access to soft loans and micro finance programmes can boost local economic development. The main challenge is the inability of loan beneficiaries to repay their loads (Bank of Ghana, 2010). This could be due to unstable economic factors (inflation). Fluctuating inflation rates has made it difficult for investors who are granted loan facilities from banks to repay mainly because of low patronage of their goods and services.

Obtaining suitable data to measure a number of local economic development indicators was an impediment. For example, there is much data on infrastructural factors than financial factors (Wong, 2002; Helmsing, 2003). This may be attributed partly to the fact that information regarding financial institutions and telecommunications are protected as commercial secret. Due to competition, businesspersons of financial institutions unlike public utilities fear to make information regarding their business available or known to the public.

The quality of data sources is another key challenge in the attempt to measure local economic development indicators. Most of the data are obtained from sources that were gathered infrequently or have been initiated only one time by government departments. An obvious example is the Ghana Statistical Service and employment data. Furthermore, some of the available data may not even contain locality specifics such as districts, cities and towns.

Furthermore, lack of accountability and transparency in managing public resources would undermine the success of LED. Accountability and transparency is highly needed to ensure efficiency and effectiveness in the attainment of policies.

2.6. Fiscal Decentralization to Facilitate Local Economic Development

Fiscal decentralization is the transfer of financial or economic responsibilities of the national government to sub-governments to ensure economic development and efficiency of the government (Oates, 1993). In this study, fiscal decentralization entails the allocation fiscal authority and responsibilities to district assemblies to exercise both revenue and expenditure powers.

The “basic economic case for fiscal decentralization is the enhancement of economic efficiency: the provision of local outputs that are differentiated according to local tastes and circumstances results in higher levels of social welfare than centrally determined and more uniform levels of outputs across all jurisdictions” (Oates, 1993, p. 240). Even though this assertion has been established mainly in a fixed context (see Decentralization Theorem by Oates 1972), the whole assertion should have shown an empirical evidence in the dynamic situation of economic growth. There are actually “strong reasons, in principle, to believe that policies formulated for the provision of infrastructure and even human capital that are sensitive

to regional or local conditions are likely to be more effective in encouraging economic development than centrally determined policies that ignore these geographical differences” (Oates, 1993, p. 240). Other researchers have also expressed this view on local government and fiscal decentralization (Xie, Zou & Davoodi, 1999). Unfortunately, Oates (1993) showed that there is no “formalised theory” that explains such link between FD and local economic development. Like the theory would have been useful in determine the parameters (which programmes are “jurisdictional specific”) on which the social and infrastructure gains contribute to LED and their order of significances.

The economic case of FD is based or dependent on the anticipated response or reaction of local authorities to the wellbeing of their constituencies. Conyers (1990, p.18) argued that, “decentralization may increase the participation of people at the local level, but sometimes it is only a small privileged elite group who get to participate”. These elites may focus on achieving their own self-interest to the detriment of the citizens.

There are certain conditions that must be fulfilled to enable local governments perform effectively. These conditions were stressed in Bird’s (1986) paper that provides the scope for autonomous fiscal decision with the right kind of indications and rewards to local governments (Oates, 1993). Oates (1993) explains two of Bird’s conditions as follows:

First, local governments require their own independent sources of incomes. Intergovernmental transfers from central government to sub-governments play a significant role in the fiscal system of the country but should not be extreme. However, in developing countries like Ghana, such intergovernmental grants constitute the largest proportion of local governments’ revenue. This has the tendency of undermining the autonomy and essence of decentralized decision making (Oates, 1993). For local governments to have full fiscal discretion, they should be able to raise large proportion of their funds from their own revenue sources. This is vital according to Bird (1986) for two main reasons. To begin with, in a political setting, intergovernmental

transfers usually come with certain conditions/ strings attached. In addition, these conditions are required to be followed diligently by local authorities. If local governments or district assemblies are dependent largely on transfers from central government, it is inexorable that central governments interference/ intrusion in spending decisions will be obvious. This suggest that decisions regarding the form and level of local programmes and projects will be the result of negotiations between local authorities and central government, undermining local fiscal autonomy. Finally, over dependence on intergovernmental transfers discourages responsible local decisions. It is very necessary that when local authorities plan to expand or contract programmes, the must take into consideration the cost and benefits of these decisions. When funding is from government, there is actual economic cost to the local unit to which the decision is taken (Oates, 1993). Bird (1986) proposed that when funding is from local's own revenues, especially in relation to programmes to be carried out, there would be critical analysis of the cost of the decisions. This is very important for the proper function of the fiscal system.

The other condition concerns with the nature of local governments own revenue. Bird (1986 in Oates, 1993, p. 241) paid a critical attention to the “characteristics of a good local tax”, and it is “important in the vertical assignment of revenue instruments to ensure both the local taxes do not induce distorting movements of economic goods and activity. Instead, they are tied, at least roughly, to benefits in order to provide the right sorts of cost signals to the community on local fiscal decisions”. This condition is not easy for countries with emerging economies due to the “absence of requisite institutions for revenue administration” (Oates, 1993, p. 241).

The transfer of fiscal powers and responsibilities to local units or governments may either decrease or deepen the income disparity of the citizens within the locality. It was found that higher level of tax decentralization is linked with greater household income inequality in a country (Sacchi & Salotti, 2014). Sacchi and Salotti (2014) observed that although fiscal

decentralization may enhance efficiency, it might have negative consequences on the income distribution of households in the country.

Local governments under fiscal decentralization deserves to be given considerable amount of taxing powers. In that instance the local people will be able to demand for accountability from local officials especially in cases where they pay heavy taxes to fund local public activities as opposed to being funded by donors or central government funds. When heavy taxes are imposed on the citizenry that posed a huge burden on the local people, they may be compelled to demand for accountability from their duty bearers. On the other hand, low taxes or rates may be very insignificant and hence they citizens would not feel the impact so much to demand for accountability from their political officers (Bahl, 1999).

In Oates own view, property tax is “quite a good source of revenue”. It is therefore fair and reasonably to require citizens who own property to pay for local services but many developing countries and for that matter deprived districts may not have the “administrative capacity at present to implement property taxation” (Oates, 1993, p. 241).

In the view of Berg (2004, p. 33) “the success of decentralization reforms hinges on the way fiscal decentralization is designed and implemented.” As Akudugu (2013) noted, decentralization and its resultant sub government system thus create the platform for the promotion of LED. “It is well accepted that local governments play a significant role in the economic development process and that economic development success is largely dependent on effective local government participation” (Sjostrom, 2010, p. 10). Decentralization must transcend just enhancing the capacity of local authorities for effective utilization of the resources allocated to them to encompass training of their role as promoters of LED (Alberquerque, 2004). This suggest that there are more expectations on local government authorities to promote LED in their localities that was previously been the role of central government (Akudugu, 2013).

In summary, FD seems to have a potential useful role in contributing to LED, but the translation of these potentials to actual economic benefits are subject to a number of important factors and conditions including local institutions responsiveness to local wellbeing which is also contingent on the proper fiscal institutional structures (Oates, 1993) of the country.

2.7. Empirical Studies

This section presents the review of related works categorised into two main areas; review of literature on the positive link between fiscal decentralization and economic development, and the negative link between fiscal decentralization and economic development.

2.7.1. Positive Relationship between Fiscal Decentralization and Economic Development

The assumption that fiscal decentralization contributes to economic efficiency could have a corresponding impact on the dynamic setting of economic growth (Oates, 1993).

Decentralization has enhanced the claim of basic rights (in health, economic, education, water and sanitation) by the local communities but with support from NGOs, even though with some shortfalls in NGOs strategies (Crawford, 2010). Without the help of local NGOs as in the case of Northern Ghana, Crawford (2010) found that local authorities were not responsive to the local needs. While it is generally believed that the constraints of the District Assemblies are limited finances, the locals argued that they are just not willing to meet their rights and needs. This explanation is given as a result of the fact that, there are no strong downward accountability mechanisms to propel duty bearers to be responsive, and this is a manifestation of “democratic deficits in the national political framework of decentralization in Ghana” (Crawford, 2010). Decentralization actually has the potential of enhancing the poor to make claims for their basic rights, if the right context is put in place, for instance, strengthening the

strategies of the local NGOs which are found to play a major role in the enhancement of rights by the rural poor.

The effect of decentralization on health and education jointly as proxies for measuring human development was assessed. The study showed a significant positive correlation between fiscal decentralization and human development. In specific terms, fiscal decentralization was found to be positively related with educational output (Habibi, *et al.*, 2003).

According to Akai and Sakata (2002), fiscal decentralization indeed contributes significantly to economic growth though there are other factors (such as political stability and inflation) that affect economic growth. They explained that their results were able to unveil the benefits of fiscal decentralization because of the method they adopted which was quite different from other researchers who found no effect of FD on economic development.

Meanwhile, the implementation of higher amount of tax decentralization is also associated with household income disparity (Sacchi & Salotti, 2014). Though the study used limited data, it was recommended that the study should be replicated upon the availability of data. Also, a study of developing countries is very important as they have also implemented some kinds of reforms to enhance the success of their decentralization programme.

Despite the positive influence of decentralization on poverty reduction (Asante *et al.*, 2010), there are counter findings that proved negative or no relationship between fiscal decentralization and poverty reduction (Xie, *et al.*, 1999; Zhang & Zou, 1998). A single view of decentralization will not have any significant impact on poverty. Instead, political, fiscal and administrative decentralization must be considered jointly to ascertain the overall benefits. These contradictory findings may be attributed to the fact that some aspect of decentralization (only Fiscal Decentralization) was considered by some scholars (Xie, *et al.*, 1999; Zhang & Zou, 1998) in determine the impact on growth and development rather than simultaneously assessing all the forms of decentralization at the same time as done by Asante and Ayee (2010).

Asante and Ayee (2010) noted that access to political power and resources as well as transparency and accountability in the management of citizens have a link with poverty. Complete devolution of resources and authority to local units can create opportunities for local leaders, community members, Non-governmental Organisations (NGOs) and private sector operators to be engaged fully in the development process of their areas. Development of local economic infrastructure such as market sheds, good roads, access to credit and farming inputs can enhance local businesses and hence would liberate citizens out of poverty. But the extent to which this can be achieved depends largely on the relationship between central and local authorities and the commitment of national government to pursue decentralization to its maximum conclusion.

Ogawa and Yakita (2009) have analysed fiscal decentralization and equalization transfers in a two region model of endogenous growth and found out that the desired tax rate preferred by the local governments is positively linked with fiscal decentralization. Their findings also showed that there is an optimum level of fiscal decentralization to achieve national government's target of growth maximisation, however, the degree of fiscal decentralization preferred by the national government is too much to include the highest regional wellbeing.

2.7.2. Negative Link between Decentralization and Economic Development

Throughout the literature, some of the empirical findings of the impact of decentralization on economic development suggest no successful positive relationship between the two variables despite the predominant widespread view that fiscal decentralization contributes to local economic development (Moche, et al., 2014; Sacchi & Salotti, 2014). What is not done right enough to achieve the economic benefits of fiscal decentralization? The move by many policy makers to implement fiscal decentralization in their countries must be informed by certain benefits. This study though did not seek to identify those other factors that were highly

associated with decentralization, the main aim was to find out whether the monetary allocations made to local governments were used to enhance the growth of micro and small enterprises. The results obtained from these papers below have not been able to substantiate the potential benefits of fiscal decentralization and local economic development.

Some scholars have found that fiscal decentralization intensifies poverty in South Africa (Moche, et al., 2014). They however postulated that the findings should be interpreted with caution since the study had used limited sample size. That notwithstanding that, the findings might not be strange because district assemblies may be receiving mainly intergovernmental transfers that could be used for poverty reduction but may be diverted for other purposes other than poverty alleviation. Studies in Ghana have shown that there is insufficient evidence of the positive link between poverty alleviation and FD using non-monetary measurements (Azila-Gbettor, et al., 2014).

It was observed that implementation of fiscal decentralization may result in adverse consequence on income (Sacchi & Salotti, 2014). As rightly stated by Sacchi and Salotti (2014), there has however not been any general consensus in the existing economic literature that proves the size and sign of the impact of decentralization on inequality and the channels involved.

A study in Turkish provinces was conducted to investigate the effect of decentralization on economic growth and development using a panel data set comprising of sixty-seven provinces from a period of twenty-five years. The main objective of the study was to determine whether there is any major impact on economic growth and development in the provinces as a result of variations in local decentralization across the provinces and time. The results of the study revealed a weak economic development among some of the municipalities (Tosun & Yilmaz, 2010). The findings also showed that the formation of additional provinces from the current

ones had no substantial effect on economic growth and development. It must be noted that, Tosun and Yilmaz used the number of local units per capita and the number of local units per square kilometers as proxies for decentralization.

A longitudinal study on the effect of decentralization on economic development was conducted using a set of time series data of sixty-three countries ranging from 1960 to 2000. The results of the study indicated an inverse relationship between fiscal decentralization and Gross Domestic Product (GDP) growth and between GDP growth and political decentralization (Im, 2010).

Habibi et al. (2003) also discovered a negative relationship between fiscal decentralization and infant mortality in his study on fiscal decentralization and human development. Similar studies conducted by scholars in the US and China (Xie, et al., 1999; Zhang et al., 1998) proved an inverse relationship between fiscal decentralization and economic growth.

Tax revenue was shown to have a slight undesirable impact on economic growth in Ghana (Kwakye, 2013). But the relationship became statistically significant when it was interacted with democracy. His findings indicated that tax evasion is ubiquitous in democratic regimes.

2.8. Conclusion

In this chapter, fiscal decentralization and local economic development theories behind the study were discussed. Some perspectives on how fiscal decentralization affects LED were explained. In addition, a review of the history of decentralization, the merits and demerits of both FD and LED, actors and some determinants of local economic development were duly explained.

CHAPTER THREE

METHODOLOGY

3.0. Introduction

The study examines the effect of fiscal decentralization on local economic development in the Builsa North District. This chapter specifically comprises of the research setting and the justification for the study area, the research design, the method of data collection, the method of analysis and finally the chapter conclusion.

3.1. Research Setting

This section seeks to describe the political, physical, social and economic characteristics of the Builsa North District. The section provides background information about the setting in which LED policies are formulated and executed.

Beginning with physical characteristics, the chapter presents the location, resource base, vegetation and climatic condition of the district. The chapter also examines the district local economy, demographic characteristics, political and administrative set up of the district. The source of information for this section is largely obtained from the 2014 Builsa North District Medium Term Development Plan coupled with direct observations.

3.2. Builsa North District in Context

The Builsa North District is one of the thirteen districts in the Upper East Region. The Builsa North District Assembly (BNDA) was created by a Legislative Instrument (LI) 2148 on the 15th day of March, 2012. The district capital is Sandema. The district was initially known as Builsa District and had been in existence for more than twenty years until the current demarcations that led to its present name, Builsa North District (Builsa North District Composite Budget, 2015).

The total estimated land area covered by the district is 816.44km², which comprises of about 12.1% of the total land area of the Upper East Region. The District is surrounded to the east, by the Kassena-Nankana West District Assembly and to the north by the Kassena-Nankana East Municipal Assembly. It is also bordered to the west, by the Sissala East District Assembly and to the south by the Builsa South District Assembly. The district profile was obtained from the Builsa North District 2015 Composite Budget.

3.2.1. Demographic Characteristics

The District population as per the 2010 population and housing census was 56,477 with a population growth rate of 1.1 percent representing 5.4 percent of the regions' total population. There are more females (50.8%) than males (49.2%). About ninety-eight percent (98.2%) of the population is rural and is more youthful (13.8%) of the 5-9 age groups indicating a broad base population pyramid. The age dependency ratio for the district is 88.0 and is higher for males (91.0) than of females (85.2) (GSS, 2010).

About 50.5 percent of the population who are 11 years and older are literate with almost half (49.5%) of the population, not literate. The proportion of literates are higher for males ((52.6%) than that of females (47.4%) (GSS, 2010).

This growing trend of the population of the district has implications for local development. A youthful population would require more educational facilities and employment. Based on these demographics, a study on FD was necessary to ascertain how the district uses its resources for LED.

3.2.2. Administrative and Political Set up

The District Assembly is the highest political and decision making authority of the district. The District Assembly is responsible for promoting both political and socio-economic development within their administrative area. The district chief executive is the political head

and chairman of the District Security Council (DISEC) in the district. There are forty-five (45) Assembly Members including the member of parliament. From the forty-five Assembly Members, only seven are women. The District is clustered into five town and area councils, thirty-one (31) electoral areas with 98 communities as part of the decentralization programme to promote citizens' involvement or participation in local decision making. The District has three main towns namely; Sandema, Wiaga and Chuchuliga. The political map of the Builsa North District is provided at appendix five.

The BNDA has staff strength of about 140 comprising of 134 established staff (on government pay roll) and six non-established staff (Assembly IGF pay roll). Twenty-seven of the established staff are senior staffs.

The decentralized departments in the Builsa North District include the District Agricultural Development Unit, the District Health Directorate, the District Community Development and Social Welfare Department, Physical Planning Department, Birth and Deaths Registry, the Information Services Department and the District Environmental Health Unit, which support the DA to implement its policies. Most of these departments are still operating as line agencies under their mother ministries. Currently in the new decentralization policy, efforts are being taken to include all decentralized departments in the District Assembly System.

The national agencies which do not form part of the departments of the Assembly that exist in the District include; the National Service Secretariat, the National Commission for Civic Education, the Immigration Service, the Customs Excise and Preventive Service (CEPS), the Police Service, and the National Fire Service.

The paramount chief of the Builsa traditional area is the political head of the traditional political structure in the District. There are chiefs and sub-chiefs under the paramount chief. The chiefs are the custodians of the Builsa culture and are responsible for traditional political

functions such as arbitration of disputes and organisation of local festivals (example Feok¹ festival). Traditional leaders play significant roles including participation in decision making and implementation of developmental policies of the district.

3.2.3. The Local Economy

The district's local economy is comprised of four main sectors; agriculture, industry, commerce and services (Builsa North District Assembly MTDP, 2014). Petty trading and small-scale business enterprises are the major components of commerce in the district. The agricultural sector is the predominant economic activity and remains the main occupation of the citizens with about 67 percent engaged in it. Cereal crops growing, poultry and livestock rearing constitute the major agricultural activities of the people in the district. The main crops cultivated in the district include, rice, millet, groundnut, beans and maize while cattle, goat, sheep, poultry and donkey rearing are the livestock raised in the district. It is also common in the district to find people engaged in almost all the four sectors of the economy as a means of diversifying their livelihood. Petty trade revolves around the three-day market cycles that take place in all the major towns and communities in the district. The main marketing centres in the district involve the Sandema Market, Wiaga Market, Chuchuliga Market, Siniensi Market and Kadema Market. Commodities that are traded in these markets are most often food or food stuff such as groundnuts, millets, sorghum, pito², beans, shea nuts and shea butter, livestock, poultry and other provisions such as clothes, cooking utensils. Commerce in the district is predominated by the women group in the district.

The local industry is not well development. This is a common trend of development in Ghana, where the rural areas are predominantly engaged in agricultural activities while the urban areas

¹ Feok festival: it is an annual festival celebrated by the Builsa traditional area to commemorate the victory of their forefathers who fight against the slave masters.

² Pito: It is a type of beer produced from fermented millet or sorghum in Northern Ghana

are otherwise (Akudugu, 2013). There are however various local industrial activities in the district. Some of these activities involve rice processing (rice parboil), groundnut oil extraction, shea butter processing, dawadawa³ processing, pito brewing as well as the handiwork industry that comprises the smock weaving, basket weaving and rope making.

Few individuals are engaged in the service industry in the Builsa North District. The 2008 Ghana Living Standard Survey indicates that, “the proportion of urban public service workers is higher compared to that of their counterparts in the rural areas” (Ghana Statistical Service, 2008, p. 37). The main group of people in formal employment in the district are teachers, health workers and local government workers. The Builsa Community Bank is still the only bank since the creation of the district that provides banking services to the people in the district. The rapid growth of the telecommunication sector has provided business for some people in the sale of mobile phones, and recharge cards. Tourism potentials exist in the district although unexplored. Notable tourist sites or activities in the district that could be promoted include, the Feok Festival, Akumcham⁴ in Siwaransa, Fiisa Shrine, Akumgieng Historical Fish Pond in Wiaga as well as baskets, smocks, pottery, hats and leather works produced in various parts of the district (Builsa North District Assembly DMTDP, 2014).

Agricultural production in the district is predominantly for domestic consumption than for market or income. However, farmers sell some of their crops, animals and poultry birds in order to earn income to be able to acquire what they do not produce. Despite the fact that agriculture is the predominant economic activity of the people, its economic potentials are largely hampered by poor soil nutrients caused by severe bad farming practices and erratic rainfalls

³ Dawadawa: It is a flavour, made from fermented seed of a tropical tree; *Parkia biglobosa*. It is used for preparing variety of meals in Ghanaian homes

⁴ Akumcham: It means the creeping shea tree, symbolically referring to Babatu's (Slave master) wife's agony at the spot

(Builsa North District Assembly DMTDP, 2014). The district experiences long periods of drought and five months unstable raining season. This situation causes poor harvest resulting in food insecurity in the district. This negative condition has made the district one of the poorest districts in Ghana.

3.2.4. Justification for the Study Area

The study has purposively selected Builsa North District as its study area due to the following reasons: the BNDA is one of the poorest districts in Ghana. Right from the time the district was established, it is still characterised with high rate of illiteracy (49.5%) (GSS, 2010) and majority of the youth is not gainfully employed. This raises the poverty levels in the district. Farming is the predominant occupation with majority of the citizens engaged in crop production. However, farming in the district is largely dependent on one season. In occasions of adverse rainfalls or droughts, there will be poor yields. This affects the living conditions of the people who have no alternative source of livelihood. This condition of poor rainfalls and its adverse effects on food insecurity calls for attention to diversify the local economy. One of the aims of implementing decentralization was to ensure efficiency and reduction in poverty. The effect of fiscal decentralization in reducing these problems in the district, which has influence on local economic development requires urgent investigation. With similar characteristics like other districts in Northern, Upper East and Upper West Regions, the findings that would be discovered from this study would likely be applicable to other districts.

Secondly, LED and decentralization are closely linked in the Ghana Shared Growth and Development Agenda (GSGDA) and are localized in the district action plans as development strategies. The success or otherwise of LED in the districts raised the question: to what degree is fiscal decentralization contributing to LED in a district that is severely inflicted with poverty?

Builsa North District is very suitable in investigating the link between fiscal decentralization and LED.

Finally, searching through the literature, LED studies were found in LED piloted districts like Bongo District but not much of these studies were found in non-LED piloted districts like the Builsa North District. All these factors necessitated for the selection of the Builsa North District as the case study.

3.3. Research Design

The study has adopted the qualitative research method within the case study design. Qualitative research method would enable the researcher to “explore the meanings, attitudes, values and beliefs people associate with a phenomenon in order to establish a better understanding, rather than to test to either support or disprove a relationship” (Boateng, 2014, p. 133). Patton (2002) view qualitative research as an attempt to understand situations in their natural or unique context and the interactions there. On that note, this method is very useful in describing the nature of the problem, issues, and the situation or phenomenon.

A case study was conducted to determine the profile of the Builsa North District and the barriers or challenges of implementing full FD and LED at the district level. Boateng (2014, p. 142) noted that a case study is used when ‘how’ and ‘why’ questions are being asked about a present group of events over which the researcher has little or no control. Yin (1994 cited in Boateng, 2014, p. 142) has discovered four applications of a case study research: first “to explain complex casual links in real-life interventions; to describe the real life context in which the intervention has occurred; to explain the intervention itself and to explore those situations in which the interventions being evaluated have no clear set of outcomes”.

Case studies facilitate both description and explanation of complex casual relationships (Yin, 1994).

The use of multiple sources of evidence in case studies allows an investigator to address a broader range of historical, attitudinal, and observational issues. However, the most important advantage presented by using multiple sources of evidence is the development of converging lines of inquiry, a process of triangulation. Thus any finding or conclusion in a case study is likely to be much more convincing and accurate if it is based on several different sources of information, following a corroboratory mode (Yin, 1984: 91).

Whilst the questionnaires were designed to gather descriptive answers to research questions in line with the guidelines of Yin (2003), the study collected descriptive data on the knowledge of Assembly Staff on FD, LED and the constraints faced by the Assembly in promoting LED at the district level by using descriptive statistics. In addition to using mainly questionnaire, interviews and observations, the study has also used secondary data including the District Medium Term Development Plan (DMTDP), District Annual Action Plan and the Rural Enterprise Programme Action Plans.

3.3.1. Study and Target Population

The population of the study included all staff working in the Builsa North District Assembly (BNDA), the Ghana Education Service Office (GES), the District Agricultural Development Unit (DADU) and the District Health Directorate (DHD). The target population was senior staff members of the BNDA and heads of decentralized departments who are core managers of the DA. Staff members whose work procedure has no relationship with the formulation and implementation of the district development plans were excluded from the study.

3.3.2. Sampling Techniques and sampling size

For this study, purposive sampling was used to select BNDA as the case study setting. The district is one of the poorest districts in the Upper East Region, which was also characterised by higher rate of unemployment (10.8%) (Ghana Living Standard Survey Round Six (GLSS6), 2014, p.38). Secondly, the researcher is a native of the case district favouring the ability to gain access to subjects and to obtain data especially secondary data.

The study employed a purposive sampling technique to select 22 staff members of the DA and in addition to three others namely, one person each from the DHD, the GES and the Fiscal Decentralization Unit (FDU) of the Ministry of Finance and Economic Planning (MoFEP). These technical staff are the key managers of the DA and therefore have a lot of information about FD and LED in the district.

The sample size was dependent on the available staff with the required technical expertise in relation to the fiscal decentralization and LED. The sample for the study included; the District Internal Auditor, the District Coordinating Director, the District Budget Officer, the District Planning Officers, the District Finance Officer, the Accounts Officers, the Community Development Officers, the District Internal Auditor, and the Business Advisory Centre Staff who were administered with the structured questionnaire. In addition to that, the Directors of BNDA, GES and DHD, the head of Business Advisory Centre (BAC) in charge of Rural Enterprise Programme and a staff of the Fiscal Decentralization Unit of the Ministry of Finance were interviewed using the semi-structured questionnaire. In all 22 structured questionnaires were administered and eight semi-structured questionnaires were conducted.

3.4. Method of Data Collection

The qualitative method of data collection was employed by the study. The qualitative data were sourced purposively from the staff members of the Builsa North District in the Upper East

Region through the administration of questionnaires and interviews to gather information from respondents. This technique was employed to solicit the knowledge and experience of the staff members of the BNDA on the use of intergovernmental transfers and tax for LED. This research strategy was also adopted in other similar studies (Azila-Gbettor, *et al*, 2014). This has enabled the investigator to examine the Medium Term Development Plan (MTDP) and the Annual Action Plan (AAP) of the District Assembly on how they promote LED at the district level.

The study also examined secondary data obtained from the Assembly, GES and BAC. The researcher has also picked information through naturalistic observation. The qualitative research method was employed to allow the study explore well into the area by finding how FD contributes to LED.

3.4.1. Sources of Data

The sources of data for the current study were both primary and secondary. The primary sources of data were acquired through the administration of questionnaires and face-to-face interviews, while the secondary data were obtained through the examination of the DMTDPs, the LED action plans, the district composite budget and the annual statements of accounts.

3.4.2. Data Collection Procedure

An introductory letter from the Department of Public Administration and Health Services was taken to obtain permission from the District Assembly under study and the individuals that information was obtained. Based on the research questions and the varied nature of information needed, the qualitative method of data collection was adopted. In this current study, a case study strategy was employed.

While the secondary data were taken from the MoFEP, and the District Assembly, the primary data were basically obtained through the administration of questionnaires to senior staff

members of the Assembly and face to face interviews with core heads of departments within the Assembly. The interviews were recorded for the purpose of transcription.

3.4.3. Questionnaire Administration

The questionnaire (in appendix one) consisted of mainly close ended questions designed and administered to 22 staffs of the Builsa North District Assembly, the GES, the DHD and the DADU. The questionnaires were administered personally to respondents. A pre-test was done at the initial stage to identify the emerging challenges and gaps. The questionnaire was therefore reviewed after the pre-test to ensure that it captured fully the information needed to answer the research questions. The questionnaire was organised into five main sections as follows; background data of the respondents, fiscal decentralization, local economic development, constraints of LED, and the actors of LED in the district. This questionnaire was basically designed to solicit views of staff members working in the District Assembly whose roles contributes to LED.

3.4.4. Document Analysis

Analysis of documents is a major part of the data collection of this study. The study collected and reviewed relevant documents related to FD and LED. This was done on the DMTDP, the BAC action plans, the composite budget, the annual action plans, the national LED policy document and the district fee fixing resolutions.

3.4.5. In-depth interviews

Semi-structured interview questionnaire (in appendix two) was adopted to obtain information from people who were well versed on issues relating to fiscal decentralization and LED promotion in the district or the country at large. In-depth interviews were conducted with the District Coordinating Director, the District Planning Officer, the District Budget Analyst, the Heads of Decentralized Departments, the Fiscal Decentralization Unit of the Ministry of

Finance and key workers of the BAC at the district level. The interview covers a range of issues including the extent of implementation of FD, barriers to complete implementation of FD, how the assembly promotes LED in the district, the challenges of implementing LED plans, and the actors of LED and their roles.

3.5. Measures of Fiscal Decentralization and LED

There is no one single measure of fiscal decentralization. Many researchers measure FD by using budget data approach. Some scholars used the ratio of district revenue or expenditure to the general national revenue or expenditure as a proxy for FD (Bodman & Hodge, 2010). Other sophisticated ways of measuring FD is dependent on the availability of data. The quantitative measure of FD is not exclusively enough measure of FD. Fiscal decentralization in this study is measured by four components: revenue generation autonomy, expenditure autonomy, intergovernmental transfers (Bahl, 2008) and the viability of revenue sources which cannot be measured by only quantitative method. Devolution of decision making to local units is also an aspect of FD, the degree or level of authority is determined on the basis of the legal relationships between higher and lower-level-units which are very difficult to measure quantitatively. The level of fiscal autonomy of the Assembly to generate revenue and to spend cannot also be quantified. Based on these reasons, FD in this study is measured qualitatively but in addition to the administration of questionnaire to be able to gather more people's views on the topic.

3.6. Data presentation and Instruments for Data Analyses

The data collected were mainly analysed qualitatively. This was done in line with the research objectives. The administered questionnaire was coded and analysed using the Statistical Package for Social Science (SPSS). This has enabled the generation of descriptive statistics,

frequency tables and charts for easy analysis and inferences. The tables and charts would provide patterns for written interpretation.

The qualitative data (interview responses documents) were analysed using content analysis. In accordance with the research objectives, the analyses were to identify the main themes in relation to FD and LED, the current state of FD and LED, and the explanation on how and why certain things happened or did not occur. In other words, the study sought to identify how the district assembly promotes LED. The interview data were first ordered to identify recurrent themes on the data. Short notes were made on the themes identified to ensure that key ideas were appropriately captured. Data collected were analysed using Miles and Huberman's data analysis approach. Data were first displayed, condensed and conclusions were drawn (Miles and Huberman, 1994).

3.7. Ethical Considerations

In dealing with human beings, ethical consideration is very critical which has been duly considered in the study. A number of ethical issues were taken into consideration. These include but not limited to the following:

Firstly, the study was conducted without any misrepresentation or deception. Interviews and questionnaires were personally administered to respondents alone.

Secondly, the study took an introductory letter from the Public Administration and Health Services Department, which sought for permission from individuals and organisations to which information was sourced. The study had ensured that the introductory letter was always presented to respondents anytime data were gathered from them.

Thirdly, the aim and purpose of the study were introduced to the institutions and interviewees to which data were collected. After every self-introduction, the introductory letter was always

presented to seek the full consent of the institutions and respondents. There were instances where some officers declined being interviewed stating reasons that they were busy. In other cases, some officers rescheduled different times and dates to be interviewed while others referred to their colleagues to be interviewed. In all these instances, the views and opinions of respondents were duly respected accordingly.

Confidentiality is another area that the study held high in the study. The study ensured that the identity of respondents such as names were not recorded or captured during the interviews or the questionnaire administration. The names of respondents were also not used when citing statements that they made. Though the names of respondents were not mentioned in the cited statements, their work titles or positions and the names of some of the institutions were inevitably used. Even in these instances, anonymity was still guaranteed.

Finally, the potential consequences of the research on the interviewees and the institutions were avoided. The study has guaranteed the collection of information from subjects and institutions without causing any negative consequences that might affect their image, position or funding.

3.8. Limitations of the Study

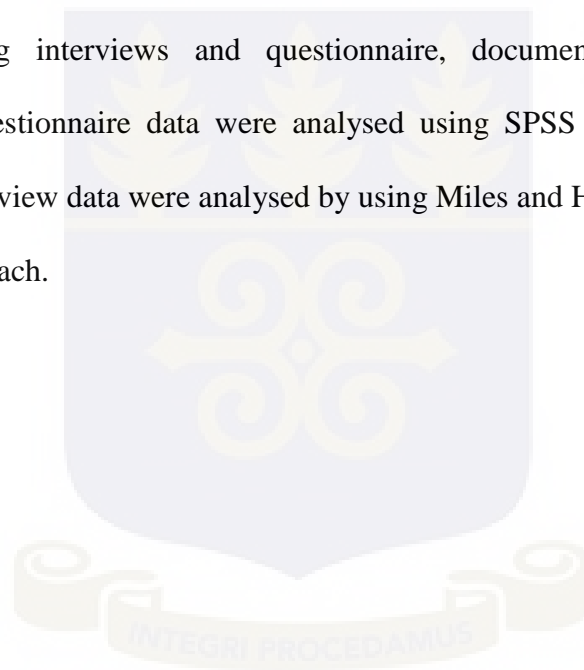
The study considered mainly staff members of one district as a case study. Similarly, LED in this study was measured by determining only the infrastructure development, the participation of citizens, employment creation, MSME/ entrepreneurial development support and MSME access to financial support.

Poor financial record keeping over the years at the Assembly makes it difficult to segregate actual expenditure on assets, goods and services using their financial statements. Therefore, conducting trend analysis to assess how efficiently government transfers were utilized for specific programmes/ projects were severely limited.

Only funds that flow to the Assembly were captured in the study. The study could not measure funds (such as Ghana Education Trust Fund) that were transferred to the decentralized departments by their mother ministries or donor agencies.

3.9. Chapter Conclusion

The research setting, design, population and sample as well as the mode of data collection and analysis were captured in this chapter. The respondents of the study were mainly staff members of the BNDA who were purposively selected. The data were sourced from both secondary and primary sources using interviews and questionnaire, document analysis and direct observations. The questionnaire data were analysed using SPSS to compute descriptive statistics while the interview data were analysed by using Miles and Huberman data reduction and condensation approach.



CHAPTER FOUR

RESULTS AND DISCUSSION

4.0. Introduction

This chapter entails the results from both the qualitative data gathered. The results are analysed and organised under various sub-themes in accordance with the research objectives. Descriptive statistics such as frequencies, tables and graphs are also used to present the findings.

4.1. Demographic Characteristics of Respondents

The respondents of the study were mainly senior staff members of the Builsa North District Assembly. Out of 27 senior staff, 22 of them, consisting of 4 females and 18 males were administered with questionnaires. The demographic information of respondents is presented in the table 4.1 below.

Table 4.1. Demographic Information of Respondents

VARIABLE	CATEGORIES	FREQUENCY	PERCENTAGE
SEX	Male	18	81.8
	Female	4	18.2
AGE	15-25 Years	2	9.1
	26-35 “	12	54.5
	36-45 “	4	18.2
	46-55 “	3	13.6
	55 and above	1	4.5
DURATION OF STAY	0-1 Years	3	13.6
	2-5 “	10	45.5
	Over 5 “	9	40.9
LEVEL OF EDUCATION	SHS	2	9.1
	Tertiary	20	90.9

Source: Field Survey, 2016

There were more male workers than females in the Assembly and this resulted in the uneven representation in sexes in the sample. Majority of the respondents had tertiary education (91%)

and about 55 percent are within the age range of 26 -35 years. This is an indication of a strong, young and vibrant labour force in the Assembly. Similarly, most of them have equally worked in the Assembly for more than a year (86%). This also shows that majority of the staff know the developmental conditions of the District.

Eight respondents who were basically heads of departments with a lot of experience in local development were also interviewed. Six respondents out of the eight were staff of the Assembly who occupied key positions. They include the District Coordinating Director, The District Finance Officer, Head of Business Advisory Centre, District Director of Education, District Planning Officer and the District Budget Analyst. One staff member from the Fiscal Decentralization Unit of the Ministry of Finance who is directly responsible for the fiscal decentralization policy formulation and coordination was interviewed as well.

4.2. Contribution of Fiscal Decentralization to LED

The various sources of revenue and expenditure pattern would be assessed in this section. Analysis of how these resources were used in the provision of infrastructure, citizen participation, local capacity development, social services and general assessment of the environment that could promote or contribute to LED would be determined here.

4.2.1. Provision of infrastructure

One of the purposes of decentralization is to provide socioeconomic infrastructure at the local level. As a contribution of the Assembly towards development, there is the provision of infrastructure such as roads, schools, boreholes, hospitals, markets and solid waste disposal sites to boost community development. This is usually done based on community needs assessment and in consultation with opinion leaders and citizens. The Assembly uses part of their DACF and DDF to establish these physical projects. The views of staff concerning the provision of these infrastructural facilities are captured in table 4.2 below.

Table 4.2: Infrastructural Development in the District

Rating	Educational Facilities		Health Facilities		Markets		Solid Waste Disposal sites		Roads	
	Freq	%	Freq	%	Freq.	%	Freq	%	Freq	%
	Poor			2	9.1	2	9.1	3	13.6	7
Fair	2	9.1	1	4.5	7	31.8	11	50.0	12	54.5
Good	15	68.2	16	72.7	13	59.1	8	36.4	3	13.6
Excellent	5	22.7	3	13.6						
Total	22	100.0	22	100.0	22	100.0	22	100.0	22	100.0

Source: Field Survey, 2016

From Table 4.2, most of the respondents (representing 50%) were of the view that the DA is doing well (good) in the provision of: educational facilities (68.2%), health facilities (72.7%) and market structures (59.1). However, solid waste disposal sites (50.0%) and construction of roads (54.5%) in the district were fairly provided by the Assembly. The percentages represent the respondents rating on the above infrastructure. The 2010 Ghana Statistical Service Population and Housing Census also supported these statistics. For instance, in terms of waste disposal, about 36 percent of solid waste and 66 percent of liquid waste are thrown into open spaces and into the streets respectively (GSS, 2010 PHC). The district does not have adequate proper waste disposal sites. All these evidence points to the fact that the BNDA is doing little in the provision of proper waste disposal sites.

Due to the deplorable nature of almost all the roads linking the towns and villages, respondents rated the provision of road infrastructure as fair (54.5%) and poor (31.8%). The roads are untarred and are always in bad condition especially in the raining season. The only road that is tarred in the district is the major road linking the district capital (Sandema) to the regional capital (Bolgatanga).

Infrastructure, institutional development and investment from the central or higher level government supports LED if resources from the centre are transferred to the local level and are supplemented by local efforts to mobilise their own revenues (Wekwete, 2014). To ensure local

economic development, the role of the central government and sector ministries should focus primarily on shaping policies and investment instruments while implementation should be the role of local government (district assembly). As rightly noted by Helmsing (2001), infrastructure investment is dependent on the decision of government and the availability of donor funding. This implies that LED of an area is largely influenced or dependent on the interventions of the central government. For instance, allocations of resources to government departments or agencies at the local level (like agriculture) are captured in the national budget and such aids are allocated to localities based on general criteria and on policy requirements of the aid.

However, the effectiveness of LED can be achieved by mainstreaming LED planning as a long term economic development plan and not as a short term seasonal programme undertaken only when donor funds are available (Wekwete, 2014). There is also evidence to accept that policies made for the delivery of infrastructure and human capital which reflect the local conditions are more likely to be effective in promoting economic development than centralised policies that neglect these locational differences (Oates, 1993)

4.2.2. Social Services

The major formal service sectors in the district include educational service, health service, water provision, electricity supply and technological services. The provision of these services within the district with the exception of electricity is good. The respondents said the DA fairly extends electricity (81.8%) in the district. This has largely been confirmed by the Ghana Statistical Service findings that 23.6 percent of households in the district use electricity (GSS, 2010, PHC). However, the DA plays a significant role in the provision of streetlights and support for rural electrification. The fact that electricity provision requires high capital investment makes it unfordable and poses a great challenge for the District Assembly. The provision of electricity remains largely the responsibility of the central government.

Table 4.3 below shows the distribution of responses on the provision of social services.

Table 4.3: Provision of Social Services

Rating	Telecommunication		Water Supply		Electricity		Health Services		Quality Education	
	Freq	%	Freq	%	Freq.	%	Freq	%	Freq	%
Poor	4	18.2	1	4.5	3	13.6				
Fair	6	27.3	5	22.7	18	81.8	3	13.6	6	27.3
Good	11	50.0	16	72.7	1	4.5	14	63.6	15	68.2
Excellent	1	4.5					5	22.7	1	4.5
Total	22	100.0	22	100.0	22	100.0	22	100.0	22	100.0

Source: Field Survey, 2016

Fiscal decentralization indeed has contributed significantly in the area of education and health. Since education is one of the surest ways of promoting development, the DA promotes sound and quality education for the youth by funding most of the activities that would increase enrolment, participation and quality teaching and learning through teacher motivation, provision of teaching and learning materials.

The District Director of Education stated that:

Fiscal decentralization has an impact on education. The Assembly spent some part of their funds on educational activities like My First Day in School, 6th march/independence day celebration, science and mathematics quizzes, transportation of goods (furniture) to schools and support for the conduct of examination for students. The Assembly also puts up educational infrastructures and rehabilitates existing ones (GES Director, Builsa North District).

As part of ensuring teacher commitment and retention in the district, monitoring and rewards systems have been instituted.

This year, we did teacher motivation where best teachers were awarded. Certificates were presented to best teachers and LED colour TVs were presented to the best 4 teachers from all the categories. That is KG level, primary, JHS and SHS levels (GES Director, BNDA).

In fact, the study found that FD actually contributes to provision of social services with special attention to the educational sector. This finding was also similar to findings of other scholars on other local units. The provision of social services can contribute to local economic development with respect to the following specific areas: generation of sustainable employment in firms that make it more capable to endure changes in the global economic environment; developing skills of individuals and groups towards high productivity; raising the income of households and many more (Vazquez, 2002).

A significant step towards expanding the asset base of the local people is to enhance their access to the full range of social services, which would generally consist of water supply, refuse removal, flood protection, local roads, sanitation, public transport, street lighting, health service and education. This observation is supported by Oates (1972) that, fiscal decentralization makes possible for the DA to provide different blends of public goods and services that reflect the preference of local needs than centralised government.

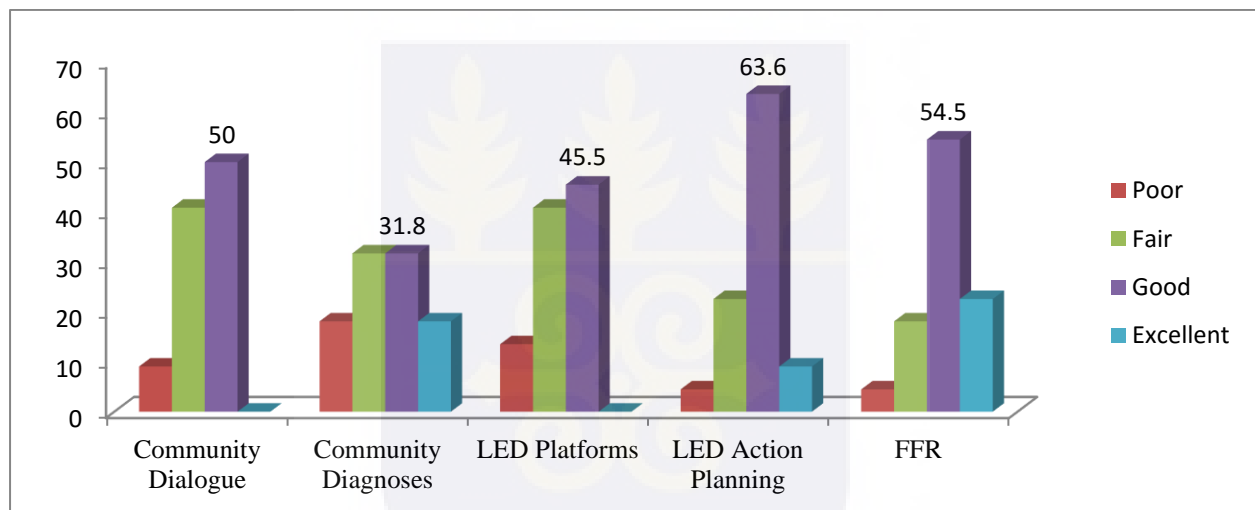
4.2.3. Citizens' involvement in District Development Planning

Citizens' involvement in the developmental processes of the district is not only to achieve political points but also to ensure that the needs of members are properly assessed and taken into consideration. The local people know their problems best and therefore are able to, with technical guidance find solutions to these problems. To strengthen the inclusion of citizens in the local developmental processes, citizen participation and consultation have been included in the Ghana Shared Growth and Development Agenda (GSGDA) as a policy directive.

The data revealed that the level of citizen participation is good in relation to community dialogue (50.0%), local economic development platforms (45.5%), local economic action planning (63.6%) and fee fixing resolutions (54.5). However, mixed responses were observed on the community diagnoses. While about 31.8 percent of respondents rated the DA as good, others (31.8%) rated the DA as fair in terms of community diagnoses at the same time.

Data on citizens' participation in local development is presented in figure 4.1 below.

Figure 4.1: Citizens Participation in Local Development



Source: Field Survey, 2016

The District Assembly as a lead actor in local development must encourage local level policy participation that would give opportunity for actors such as institutions, private sector and civic groups to participate fully in policy development. When key actors are engaged or involved, their contributions to policy designs and strategies would increase ownership, increase long term impacts and contribute to partnership building (City Alliance, 2007). This means that the success of local economic development is dependent on local government participation (Sjostrom, 2010). However, the danger sometimes is that, decentralization may increase citizens' participation in local governance at the local level, but it might favour the few

privileged elite class (Conyers, 1990) who may also focus in pursuing their own self-interest at the expense of the citizens.

Participation in governance at the local level involves known actors or stakeholders such as donors, the public, private sector, organised civil society, poor and vulnerable groups, traditional authorities and local government officials (Adablah, 2003). As noted by Adablah (2003, p. 10) all government systems make a “combination of these stakeholders in their priority setting, policy making, resource allocation and/or programme implementation”. The study indicated that Builsa North District is not an exception to this observation. The study revealed that at the district level, these stakeholders actively participate in the formulation and implementation of the District Development Plans and the Fee Fixing Resolutions usually at General Assembly meetings and stakeholder forums. In the Builsa North District, formulation and execution of Rural Enterprise Programmes in particular is usually done with full participation of community members to help identify their business potentials. Through these participatory interactions, the interests of stakeholders would be reflected in the decisions and functions of local governments. The benefits of stakeholder/ citizen participation may vary from country to country, locality to locality, but in the Builsa North District, it influences and ensure local ownership of projects and programmes. With citizen inclusion in LED planning, local level economic interventions are less likely to fail.

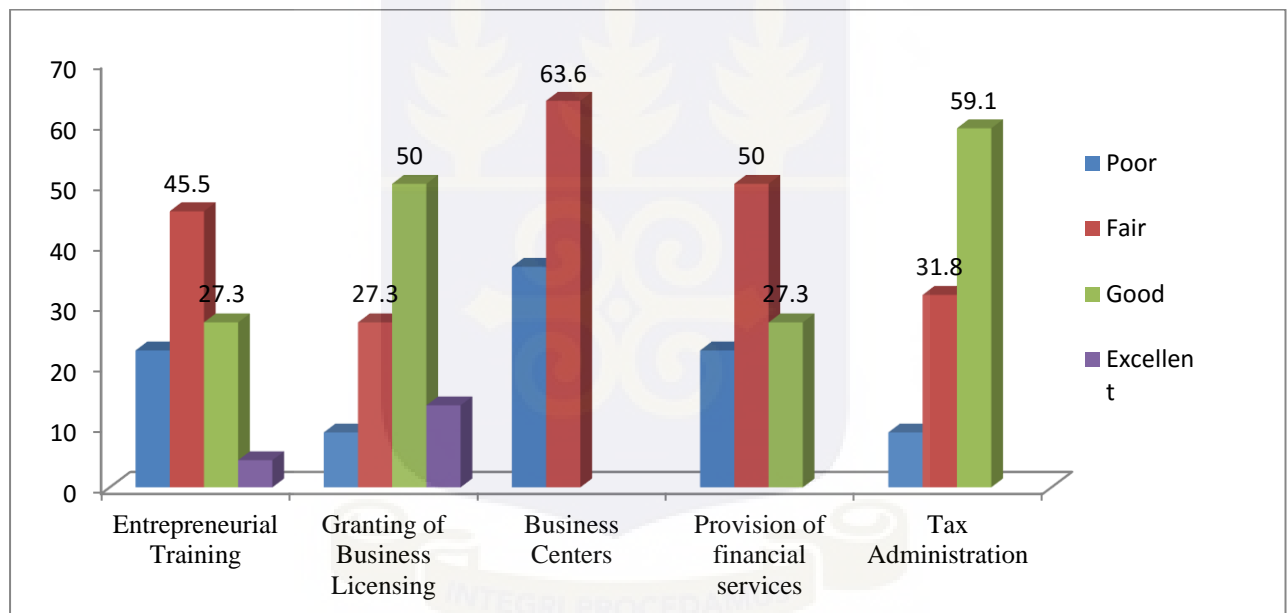
4.2.4. Support for Micro Small Medium Enterprise Developments

Promoting MSME development is a significant contribution to boosting the economic growth of the district. In an interview with the Head of BAC, it was indicated that though there are lots of business opportunities in the district that are untapped, direct support for MSMEs development by the district appears to be limited. Establishment of business centres and entrepreneurial training were fairly provided by the District Assembly. Most of the respondents

said entrepreneurial training (45.5%), provision of financial services to MSMEs (50%) and business centres (63.6%) were fairly provided by the DA.

Meanwhile, granting of business permits/licences (50%) and tax administration (59%) were given favourable attention by the local authorities. The possible reason for this is what Shin (2001) has observed that when the local tax administration is strengthened, it reduces tax evasion and collection costs.

Figure 4.2: Micro Small, Medium Enterprise development in the District



Source: Field Survey, 2016

Confirming the above. A respondent noted that:

Fiscal decentralization has an impact on employment or job creation for instance, the LEAP programme is meant to help the poor especially persons with disabilities. For those who are not working can at least utilise the money to start their own businesses like basket and hat weaving. This in the end comes to boost the Assembly since these small businesses will pay taxes back to the assembly. This governmental fiscal transfer really helps to create employment within the district (GES Director, BNDA).

4.2.5. Employment Creation

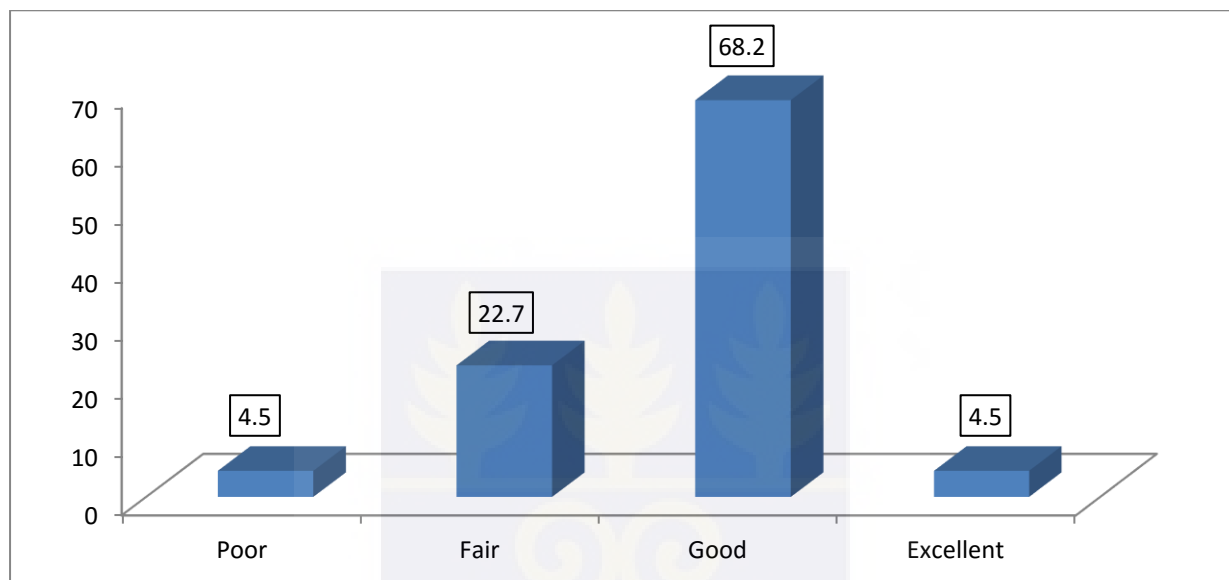
“Labour force is the greatest asset for the rural people” (Rogerson, 1999, p. 517). Accordingly, the District effort to create employment is a critical option for local economic development. One direct role of local governments that has potential benefits to localities is to design measures to improve the business opportunities by making available business support, information or advice centres. The provision of markets is another strategy for enhancing LED. Assemblies also give direct support for the start-up of micro-enterprises through resourcing of and assistance to business development support agencies (Vanderschueren, Wegelin & Wekwete, 1996; Rogerson, 1999). Local governments may also give indirect support for job creation. There are a lot of examples where local governments in developing worlds create more facilitative environments for the functioning and development of micro-enterprises (Stren and Gombay, 1994; Rogerson, 1999). Currently, the District has a memorandum of understanding with some development support agencies to provide training and start-up capital for micro enterprises within the district. Other private sectors and NGOs such as FISTRAD, Presby-Agric and CBR are contributing significantly towards creating employment for the youth.

4.2.6. Assessing the General Environment for LED

Local businesses can flourish in the district if there are favourable conditions such as access to financial services, technical skills development, good tax administration systems, good roads and other infrastructure. Micro and small enterprises would grow under these conditions. As shown in figure 4.3, about 68 percent of the respondents rated the general environment for local business development in the district as ‘good’. This means that the Assembly is doing well in promoting a convenient environment that stimulates local investment. Also about 95 percent of respondents were very optimistic that there would be future growth of businesses in the

district. This is partly so because more farmer based organisations are being formed and the district is gaining the attention of donor agencies (for example, the Japan Social Development Fund).

Figure 4.3: Assessment of the General Environment for Local Business Development



Source: Field Survey, 2016

The local industry is quite diverse in the district. It includes shea butter extraction, livestock rearing, leatherwork and pito brewing among others. However, these are produced in small quantities, which are not exported outside the country to bring high income to the people. Some respondents said there is limited market for the local products in the district while others are of the view that it is the packaging and marketing that is not done properly.

One of the respondents expressed his opinion that

We have local industries in the district like poultry keeping, hat and basket weaving but people are no longer patronising them these days. The market for these products is going down (GES, Director, BNDA).

The Business Advisory Centre of the Assembly has been running programmes in most of these local business areas to equip the local people with the necessary skills to adopt the use of

modern technology in the processing and packaging of their products to improve their market value.

Generally, there is greater opportunity for future development. The head of BAC made this statement:

This district has great potentials as far as business activities are concerned. This is so because the raw materials are available, for instance, talking about shea butter, there is a lot of shea nuts in the district to which clients do not need to travel elsewhere for raw materials. In terms of dawadawa processing, there is plenty beans. In the craft industry, we have stores to which people can acquire. In terms of leatherwork, there is availability of skins that can be turned into leatherwork. Overall, I can see that the district is well endowed in terms of local businesses. Therefore, I rate the district 100% in terms of business potentials (Head of BAC).

4.3. Factors Inhibiting Effective Fiscal Decentralization in Ghana

Fiscal decentralization can be fully realised if there is complete devolution. Fiscal decentralization has three main components; revenue autonomy, expenditure autonomy and intergovernmental transfers (Bahl, 2008). Analysis of the revenue and expenditure autonomy of the District Assembly and the responses of interviewees would be presented in this section.

4.3.1. Sources of Revenue and Revenue generation capacity

The main sources of revenue for the Assembly include Internal Generated Fund (IGF), and government grants, which comprise of the District Assembly Common Fund (DACF), the District Development Fund (DDF), the MP Common Fund, the Ghana Social Opportunities Project and the Ghana School Feeding Programme (GSFP). The Assembly has autonomy/discretion over how much of internal revenue to raise and to spend. However, the revenue generated internally is woefully inadequate to undertake any meaningful physical

project. The sources of IGFs are categorised into the following major revenue heads: rates, license, lands and royalties, fees and fines, and investments.

4.3.2. Internal Generated Fund Performance

The trend analysis of internal generated fund (IGF) of the district has indicated that the district has not been able to generate revenue more than one hundred and fifty thousand Ghana cedis (GHC150,000.00) per annum since 2010 to date. This trend raises issues about the revenue generation capacity as well as the ability to support local development. Figure 4.4 below shows the summary of IGF performance trend from 2010 to 2015.

Figure 4.4: Summary of IGF Performance Trends



Source: Author's Construct Using Data from Builsa North District Assembly, 2016

The internally generated fund has drastically declined from Ghc134.01 thousand in 2010 through the years to Ghc51.45 thousand in 2013. The revenue has increased steadily again to Ghc123.41 thousand in 2015. The District Coordinating Director (DCD) explained the reason for the decline in revenue as lack of adequate revenue collectors and non-involvement of Town and Area Councils in their revenue generation activities. Since the involvement of the town

and area councils in their revenue mobilization in 2015, there has been an improvement of their revenue performance in that same year.

On the whole, the study found that the total amount collected as IGF in a year is not enough to undertake major developmental activities. This suggests the reason why the Assembly is over relying on central government transfers. This according to Helmsing (2003) affects the fiscal autonomy of the Assembly. This was confirmed in separate interviews with the DCD, the District Budget Analyst and the District Finance Officer, that though they are currently doing well in revenue mobilization, they could still not reach an amount that can finance capital projects in the district. This is because of low IGF base, which can be attributed to the fact that there are few businesses or investment activities in the district. For example, the DFO had this to say:

Until there are more investments and economic activities in the district, IGF will continue to remain low no matter how hard the revenue task force operates (DFO, BNDA).

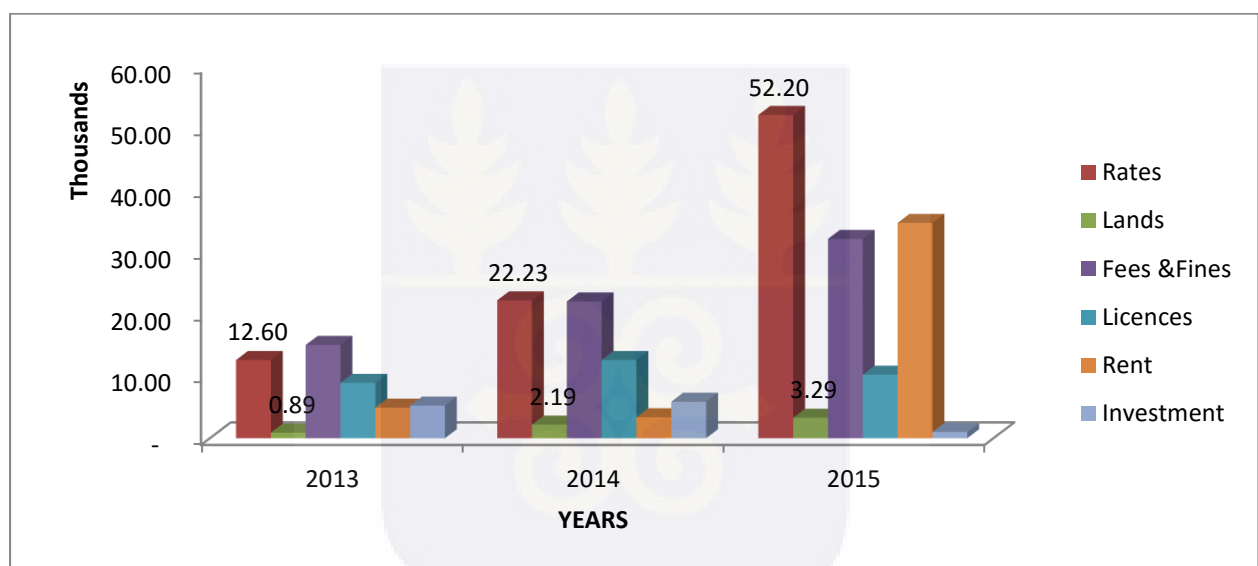
The low revenue generation in the district is also partly in line with Crawford's (2010) observation that raising internal revenue in deprived districts dwelled by people with critical income poverty is always a challenge. The study revealed that the major barrier to effective fiscal decentralization is the inability of the District Assembly to generate its own revenues emanating from low income people and less economic activities in the district. This alone is a good reason to make the central government reluctant to devolve its fiscal powers to local governments.

In addition to that, the central government may even be more willing to reduce their responsibilities to the districts than to devolve large proportions of their financial powers to them because transferring much financial powers to the district assemblies implies that, the

central government will generate less revenue on its own. This will weaken the central government’s ability to maintain fiscal balance and uniform development.

Further analysis of the main sources of IGF showed that, rates is the major source among others that contributes significantly to the total IGF annually. Lands and royalties remain the least source of revenue within the district. This trend was observed from 2013 to 2015 and is presented in figure 4.5 below.

Figure 4.5: IGF Trends by Revenue Heads from 2013 to 2015



Source: Author’s Construction Using Data from Builsa North District Assembly, 2016

4.3.3. All Revenue Performance

No Institution can operate effectively without fiscal resources. Fiscal decentralization ensures that central government transfers revenue generation and expenditure functions to the local units. The major sources of funds transferred from the central government to the local unit include the DACF, the DDF and Ghana Social Opportunities Project (GSOP).

The DACF that was established in 1994 by an Act of Parliament, Act 455 of 1993 was to provide funds to support the decentralization programme that would facilitate the provision of basic socioeconomic infrastructure and services in the districts (DACF, 2015). The fund

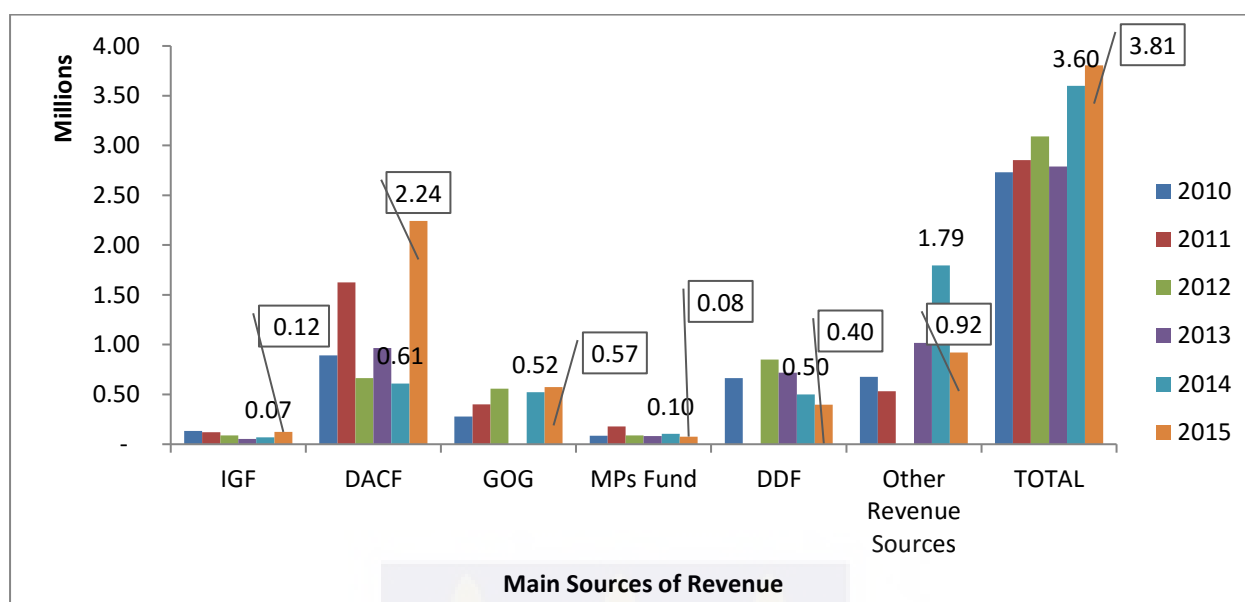
therefore contains as required by the 1992 constitution of Ghana, seven and a half percent of national revenue to be shared among all District Assemblies in Ghana in accordance with a formula approved by parliament. The DACF is actually a development fund for promoting decentralization and ensuring that every citizen benefits from the national revenue (DACF, 2015). The DACF benefits all the 216 Metropolitan, Municipal and District Assemblies (MMDAs), the Regional Coordinating Councils and other social intervention programmes including persons with disability, Ghana School Feeding Programme, District HIV/AIDS Committees and Cured Lepers.

The DDF is also government grants that are transferred to beneficiary districts based on their performance on Functional and Organisational Assessment Tools (FOAT). The amount a district receives is also dependent on the fulfilment of the minimum conditions and the overall score of the District Assembly in the FOAT assessment. A district that could not meet the minimum conditions is disqualified from benefitting from the fund. This fund is set up to ensure that local authorities/ District Assemblies are performing their functions efficiently. The payment of these funds is however, in arrears and its flow pattern is very unpredictable.

The Ghana Social Opportunities Project (GSOP) was set up to bridge the developmental gap between the north and the south. Deprived and relatively deprived districts usually benefit from this programme with about 61 beneficiary MMDAs nationwide. The essence of this is to provide direct income to the poor by engaging them in labour works such as rehabilitation of roads, dams and tree planting.

Trend analysis of the flow of these funds are presented in a bar chart below.

Figure 4.6: Summary of Comparative Analysis of all Revenue Sources



Source: Author’s Construction Using Data from Builsa North District Assembly, 2016

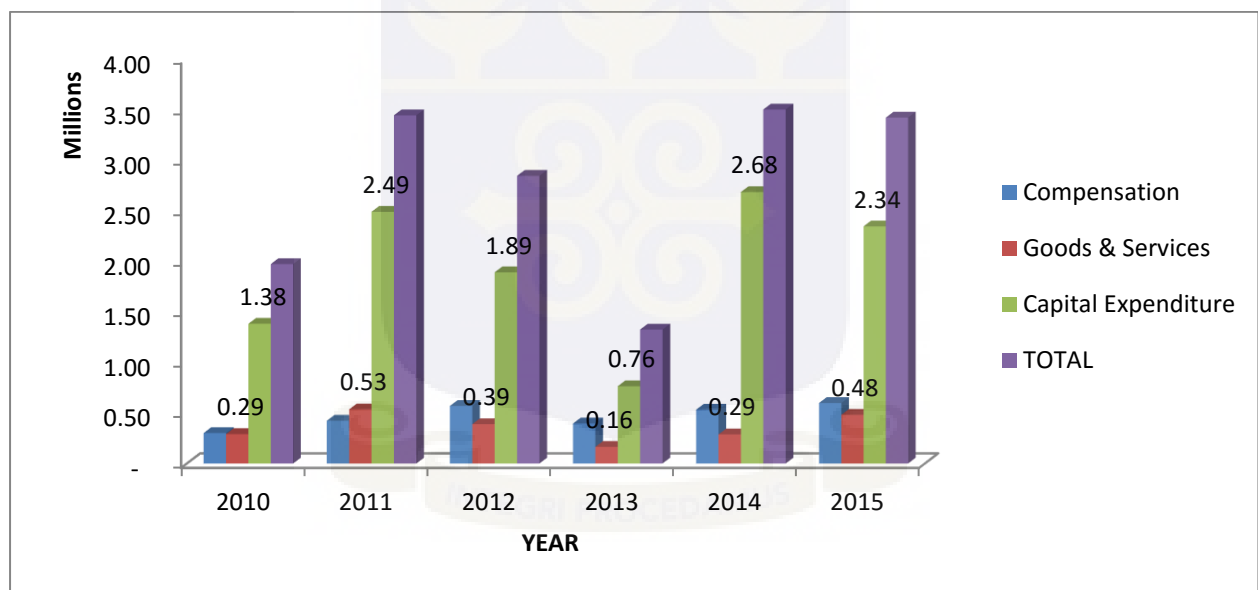
Figure 4.6 above shows a trend analysis of all revenue sources for the Assembly. The Common Fund is the major source of fund for the Assembly and the IGF remains the least amount throughout the six-year period. Generally, the total revenue of the Assembly increased with respect to the years but declined in 2013 and rose significantly to about Ghc3.60 Million in 2014 and to Ghc3.81 million in 2015. This implies that the Assembly depends mainly on DACF for most of its development. Therefore, the delay in release of DACF to the Assembly retards the progress of developmental projects and activities in the district. Late release of the DACF usually results in late implementation of projects and in some cases termination of contracts while ongoing projects come to a stand still.

It must be noted that excessive dependence on government transfers can undermine local autonomy and the essence of decentralized decision making (Oates, 1993). This is because central government may use the intergovernmental transfer system to influence or ignore local level initiatives and policy preferences underpinned by the national government policies (Rambanapasi, 1992).

4.3.4. Expenditure Patterns

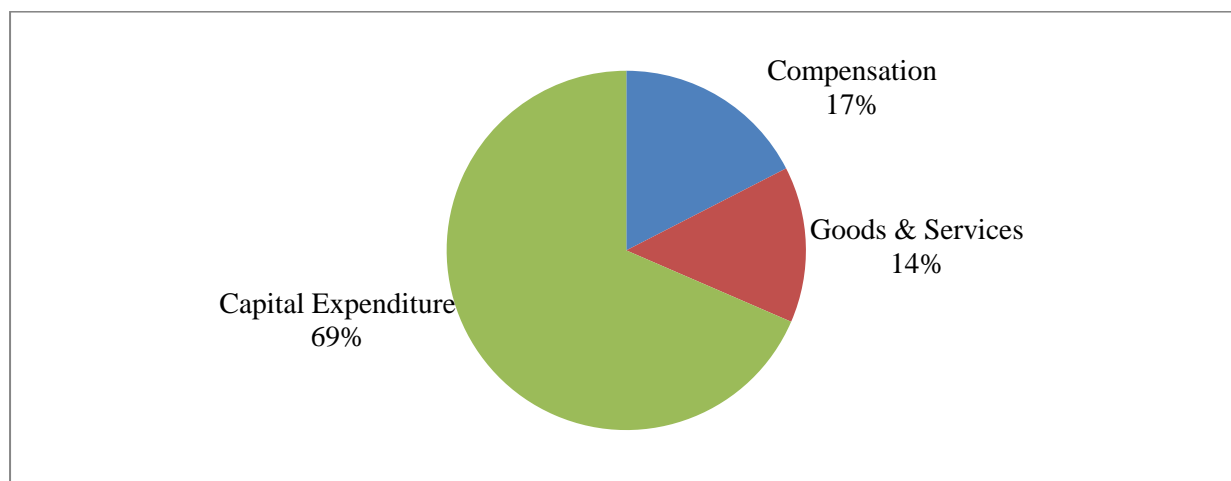
Expenditure is captured in three major categories; compensation, goods and services, and Assets/ capital/ investment. Compensation consists of salaries and allowances of established staff, which is paid directly by the government through the Controller and Accountant Generals Department and salaries of non-established staff paid by the DA. Though the Assembly makes budgetary allocation and report on expenditure, it makes payment only to non-established staff under IGF payroll. Goods and services as captured in this study comprises of administrative expenses of the Assembly. Capital investments consist of assets such as infrastructural projects, Investment activities, and counterpart funding.

Figure 4.7: Expenditure patterns



Source: Author's Own Construct Using Data from Builsa North District Assembly, 2016

Figure 4.7 shows the expenditure trend from 2010 to 2015. Capital expenditure remains the highest throughout the period as compared to compensation and goods and services. In all 2013 recorded the lowest expenditure among all the years.

Figure 4.8: 2015 Expenditure patterns

Source: Author's Own Construction Using Data from Builsa North District Assembly, 2016

The expenditure pattern of 2015 fiscal year indicates higher spending on capital investment activities and projects.

4.3.5. Revenue and Expenditure Autonomy of the District Assembly

In terms of policy, the District Assembly formulates policies in relation to their annual rates or fee fixing resolutions. The DA has the autonomy to determine how much to collect and what it should be used for. Though recently government has given a directive that twenty percent of the total IGF should be used for capital project, however, the choice of the type of project to undertake is still within the purview of the Assembly. As it is now, policies relating to the utilization of IGF are fully under the control of the Assembly.

Other funding sources are largely controlled by the central government. Since these sources are from the central government, they are usually accompanied with directives as to their utilization. The guidelines for the utilization of the DACF under the mandatory requirements indicate that: all MMDAs are required to allocate resources from their share of the Common Fund towards; (1) Construction of at least two basic schools and (2) Construction of at least two CHPs compound (see the Guidelines for the utilization of DACF for 2014 fiscal year). Nevertheless, in the 2016 fiscal year, Assemblies are required not to make any allocation

towards the construction of any new mandatory projects. However, resources should be committed towards the completion of all on-going mandatory projects (see the Guidelines for the utilization of the DACF for 2016 fiscal year). For other funds, regulations regarding how much to spend within a year is even dependent on how much government decides to transfer to the DA.

Regarding the financial autonomy of the DA, the DCD submitted that:

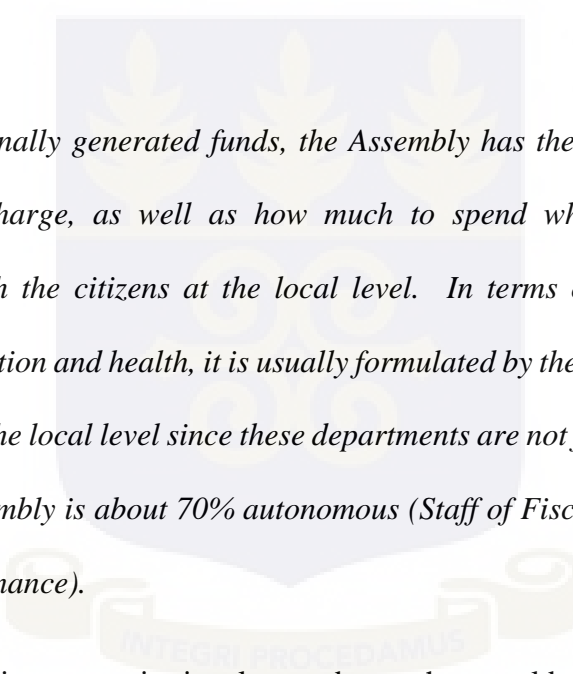
The time that District Assemblies can become fiscally autonomous is when they are allowed to hire and fire and elect their own DCEs. This is because the DCE who is the political head of the Assembly may veto decisions in line with the ruling government or party directives. Once the appointment of the administrative and political head of the DA remains the preserve of central government, the District Assembly is not fully autonomous. You could see that the Assembly is about 60% autonomous (DCD, BNDA).

The history of Ghana's decentralization shows that the executives have the power to appoint party loyalists as DCEs and Regional Ministers. Moreover, the power of the executive is deeply rooted in the Constitution of Ghana. The danger with this is that, it does not allow participatory democracy. In this case, the interest of the party and the executive in power are sometimes favoured over the citizenry.

The study found that, the appointment of leaders of local governments greatly hinders the autonomy and the fiscal capacity of the local governments. Local authorities are unable to take their own fiscal policies that is aimed at bringing development to the local people. This democratic deficit is also imbedded in the 1992 constitution of Ghana. As Antwi-Boasiako (2010, p. 35) rightly advocated, Ghana needs "constitutional amendment to empower districts and regions to elect their own leaders so that local governments in each district can be efficient and accountable to the electorates". Election of DCEs and Regional Ministers will force them to perform effectively since their failure to do so, may result in their removal by the electorates.

Generally, studies tend to emphasize the importance of political decentralization over centralisation in terms of accountability, innovation, responsiveness and leadership (Antwi-Boasiako, 2010). However, the general correlation between political decentralization and innovation has not been completely established. There are certainly no doubts of the potential benefits of political decentralization to achieving; administrative efficiency, limits on central government abuses and policy experimentation.

In terms of the role of the local governments in policy formulation and implementation, a respondent from the Fiscal Decentralization Department of the Ministry of Finance has this to say:



In terms of internally generated funds, the Assembly has the discretion to determine how much to charge, as well as how much to spend which is done usually in consultation with the citizens at the local level. In terms of policies especially in relation to education and health, it is usually formulated by the central government and implemented at the local level since these departments are not fully decentralized. I can say that the assembly is about 70% autonomous (Staff of Fiscal Decentralization Unit of Ministry of Finance).

Based on these observations, constitutional amendment that would empower local people to elect their own leaders and to take their own decisions would be very indispensable in promoting effective fiscal autonomy and accountability. However, since independence, the history of Ghana's political system (the blend of military and democracy), "has given leaders the cause to be cautious of how to share power at the regional and district levels" (Antwi-Boasiako, 2010, p. 45).

In terms of revenue, apart from the DACF and MP's Common Fund, which by law is distributed to every district, the DDF is contingent on the performance measurement of the Assembly. On

the other hand, GSOP is donor funded to the district to enable the district undertake programmes and activities strictly within the fund policy. The Assembly is not autonomous because almost all the developmental activities and projects are financed by the central government who determines the distribution and to a large extent influence the spending pattern of these funds. The DDF guideline for instance, specifies how much to be used for capacity building and the amount for capital projects. Even with physical projects, the guidelines have also stipulated the type of projects the Assembly can establish with the fund. The DDF may be used to provide infrastructural projects mainly in the educational and health sectors.

The District needs to widen its revenue base by developing new tax tools. Bahl and Linn (1992) noted that local governments need alternative revenue sources such as poll taxes, business activity taxes and automotive taxation. Over reliance on non-tax revenues such as user charges, fees and property rates may be stable and easy to collect. However, as the economy advances, the traditional sources of revenue may turn to grow slowly overtime and cannot keep pace with the expenditure requirements of local governments (Shin, 2001).

With respect to expenditure, the DDF, GSOP and largely DACF are regulated in terms of how they are spent. However, the Assembly has the discretion to decide which project and the location of the projects as captured in the District Medium Term Development Plans and Annual Action Plan. An example of a disbursement guideline for the utilization of DACF is presented below.

Table 4.4: Disbursement of DACF based on Sectors

NO	ITEM	%
1	Self-Help Project	5
2	Education Fund	2
3	Establishing and Strengthening of Sub-Structures	2
4	DRI/ Malaria Prevention	1
5	Administration	20
6	Others	50
7	Contingency	20
8	TOTAL	100

Source: District Assembly Common Fund Impact Assessment Report, 2015

Intergovernmental transfers usually come with strings attached (Oates, 1993) and over reliance of the Assembly on these transfers invariably would envisage central government's intrusion in expenditure decisions. This interference does not only affect the autonomy of the Assembly, but also they discourage local governments from being responsible. This is so because when funding is from the central government, there will be little concern from the local governments to make real economic cost and benefit analysis of the decisions taken to the locality (Oates, 1993). However, when funding is from the district's own revenue sources in relation to programmes and projects, there will be critical analysis of the cost of the decisions. This is very instrumental for the proper function of the fiscal decentralization system.

In order for the District Assembly to exercise full fiscal discretion, it should be able to raise large amounts of funds from its own internal sources. However, Bird (1986) cautioned that proper checks and analysis should be made to ensure that, the assignment of revenue instruments to collect local taxes do not induce extortion of the economic goods and activities that bring benefits to the local people. This is also to prevent possible distortion of the right kind of cost signals to the district on local fiscal decisions. Smoke (2003) equally shared the same view, that local governments may become corrupt and divert the local resources for their own interest when autonomy and power is granted them. Nevertheless, it is often times not

easy for developing countries and for that reason, deprived districts to pursue this agenda, simply because of the lack of requisite institutions for revenue administration (Oates, 1993). More so, deprived districts lack the administrative capacity to administer local taxes. Most often, the staff recruited to mobilise local taxes lack the requisite knowledge and skills to ensure efficient tax collections. This coupled with poor monitoring and accountability of revenue collectors, results in revenue leakages. The study revealed that, these factors militate against effective FD.

However, some scholars have different opinions about the failure of districts to generate sufficient revenue on their own. Some scholars have argued that local governments are not able to generate enough revenue partly due to what Nkrumah (2000 cited in Crawford, 2008, p. 243) has observed as the central government's preference for the "lucrative tax fields", while dispatching the "low yielding taxes such as basic rates and market tolls" to the local governments. But, when central government releases its lucrative tax fields to local governments, it may also incapacitate itself. This is because, central government may not be able to generate resources to provide public goods such as national security.

On the other hand, continuous government transfers to support local development without any expenditure control would make some local authorities more autonomous. This also has its own repercussions as poor districts inhabited by poor and non-literate population may not have the capacity, confidence and ability to demand for accountability from their duty bearers. The result of non-accountability is over exploitation and misappropriation of funds.

4.4. Factors Inhibiting Local Economic Development in the District

The joint effort between community-based organisations, private and public organisations to bring about development is a significant contribution to local economic growth and development. The DA exists to bring services closer to the people. The Assembly as part of its

core functions provides an enabling environment that would support the growth of local businesses in the district. There are also few Non-Governmental Organisations such as Presby Agriculture and Community Based Rehabilitation in the District Capital that support local development most especially in the area of capacity building. Despite these contributions, there are still challenges in relation to how the Assembly promotes and implements LED policies in the District. The factors that impede local economic development in the district are categorised into two main sections: administrative factors and cultural barriers.

4.4.1. Administrative factors

Significant among these challenges is the issue of financial limitations.

As shown in figure 4.9, about 86 percent of respondents said the Assembly is financially challenged when it comes to promoting local businesses. The wing of the Assembly responsible for the actual implementation of the rural enterprise programme has expressed the same worry over the inability of the Assembly to fulfil their commitment to the counterpart funding meant for the unit to carry out its duties.

Figure 4.9: Factors Hindering Local Economic Development in the District



Source: Field Survey, 2016

The study has indicated that inadequate funds (86.4%) is the major problem that hinders the Assembly from ensuring LED. Lack of adequate personnel (9.1%) and ineffective LED strategies and plans (4.5%) only constitutes the minor barriers to LED.

The extent to which this affects the Business Advisory Centre is stated by one of the respondents below:

Late release of funds; at times you have planned your activities you are supposed to execute and the funds are not released on time. As I speak, the first quarter funds of the year have not been released for us to carry out the first quarter activities. This is a challenge that we mostly face (Respondent from Business Advisory Centre, 2016).

Another serious impediment in the implementation of the Rural Enterprise Programme (REP) is the inability of some of the clients of the REP to make their twenty percent contribution of the cost as part funding of the training programme. This therefore means that depending on the financial strength of the community groups, poor people may not be able to mobilise enough resources as their share of the cost for the training programme. The REP requires that beneficiaries of the programme should contribute twenty percent of the cost of training. However, the local people do not believe this condition as a requirement of the programme. Instead, some thought that the officers in the district just want to collect their monies and spend. This can be attributed to the fact that certain NGOs have done similar trainings without taking money and as such the locals really doubt the monetary requirement of the REP.

The Head of BAC narrates his challenge in mobilising the 20% contribution from participants:

The client contribution or the client commitment fee, which makes up the 20% of the cost of their training, is difficult to collect. The REP requires that beneficiaries of the programmes should contribute 20% of the cost of training. However, when you get to

the field and you begin to explain this to the people, they people will not believe you (Head of BAC, 2016).

The head of the BAC stated that, it does not mean that when a client cannot pay his contribution, he/ she would not be trained. Contribution in kind is accepted from those who realistically cannot afford to pay the 20% of the cost of the training. Contribution in kind can be anything such as provision of cooking pots, fetching of firewood and water needed for the process. All these activities are usually quantified as contribution in kind in terms of monetary value equivalent to the 20%.

Access to a variety of credit facilities or soft loans can boost LED. However, the challenge is often times the inability of loan beneficiaries to repay their loans (Bank of Ghana, 2010). The study revealed that the district lacks microfinance institutions that are more willing to support MSMEs with soft loans at affordable rates. The district has only one rural bank that enjoys monopoly within the district. This does not give business people the option of credit facility package.

Obtaining suitable data to measure LED indicators has always been a challenge. For instance, there are more data on infrastructure factors than financial factors (Wong, 2002). The possible reason is the fact that some businesspersons reserve financial information as a commercial secret.

Moreover, sources of quality data for LED measurement is limited. For instance, the District Planning Officer said *the current employment rate in the district is not available. It can only be obtained through a survey (yet to be conducted) or an estimate based on the Ghana Statistical Service 2010 census figures.* The available data may either be too old (gathered infrequently) or limited in terms of locality specifics such as district, city or town employment figures. This issue greatly affects planning and development.

The study has also established that, finding suitable strategies for LED could be a challenge given the limited number of LED experts in the district. There are only two staff members at the BAC, which implies that the possibility of them not been able to design or implement the most suitable LED strategies is most likely. As Lawrence and Hadingham (2008, p. 45) rightly indicated “limited capacities of LED staff have the consequence that many small municipalities focus on compliance with statutory requirements rather than attempting to proactively manage economic opportunities that could have widespread local impact”. Rogerson (2010) also noted that low skills in poorer districts and lack of qualified technical staff at the district result in heavy reliance on consultants-driven strategies for LED. As the district lacks capacity to monitor the quality of LED strategies, there will be compilation of low quality LED plans linked to a project focus, unrealistic targets, inability to identify the drivers of local development and poor implementation.

The mere involvement of local participants does not grantee LED success (Helmsing, 2001). Political interference may set in altering the allocation of resources and beneficiaries. Short-term policies that would win citizens votes would be pursued at the expense of long term economic policies.

Monitoring and evaluation of plans and activities is key for the success of the programme. However, means of transportation for officials of BAC was a challenge. Both the vehicle and motorbike that could be used for monitoring activities of the programme were all broken down.

The head of Business Advisory Centre made this statement:

The means of transportation for officers for monitoring activities in the district is a problem. The Rural Enterprise Programme has one motorbike that is out of use and one but broken down vehicle, which was given to the DA for maintenance. How am I going to visit the communities? As it is now, I have made plans to visit the communities but the car is still at the maintenance shop and there is not even a motorbike for me to

undertake my activities. Enquiries at the DA who took the car for maintenance has not shown any indication of when the maintenance of the car would be completed (Head of BAC, 2016).

4.4.2. Cultural Barriers

The major cultural barrier to local development in the District is expensive funeral performances. Funeral rites are one vital celebrations among the Builsas (GSS, 2010 PHC). These rites mark the final passage of the deceased to the ancestors or the eternal world. The funeral rites are in two parts, the first is known as the “kumka⁵” which is performed within the shortest possible time from the time when a person dies. During this period some rituals are performed for the deceased. The second part is “Juka⁶” which may be performed shortly or several years after the first session (kumka) depending on the consensus of family heads (GSS, 2010).

Funeral rites itself is not a bad practice, but the excessive spending that the local people devote their resources at the expense of investment leaves much to be desired. Because the people of the district practice communal labour, they spend a lot of time attending family, neighbours and friends’ funeral rites especially during the dry season. A typical funeral rite takes a period of three to four days. During a funeral rite performance, one is required to provide food for mourners, visitors, and the funeral performers. As custom demands, sometimes sheep, goats and cattle, which are the major assets of the rural poor, are slaughtered to perform the rites of the dead. This practice makes some people waste their precious livestock resources like goats, cows and sometimes food items to perform funerals at the expense of investments. In the end, they are unable to feed their families let alone to pay school fees for their wards.

⁵ Kumka: Meaning cry; which refers to the first funeral rite performed by the Builsas when a person died.

⁶ Juka: Meaning burning, which metaphorically referred to the last funeral rites performed to mark the transition of the dead to the ancestors.

The desire to honour the dead through expensive funerals diverts many people or community resources from proper utilization to funeral and related expenses. These practices are seriously imbedded in Builsa's tradition. Enquiry with some traditional leaders suggest that, the paramount chief of the Builsa Traditional area has set time limits within the year from November to April within which people can perform their funerals. Efforts are also being made by the traditional authority to regulate the use of alcohol (Akpeteshie) and hiring of modern entertainment gauges during funerals. If these rules by the traditional authorities are appropriately monitored and enforced, excessive spending could be reduced. The rural poor can save enough money to engage in other livelihood or investment activities.

The same effect is applicable to having large family size. Large family sizes are very common in the district. The idea of giving birth to many children is still practiced well among the population especially the illiterates. "The average household size in the district is about 5 persons per household. Children constitute the largest proportion of the household structure accounting for 46.1 percent. Spouses form about 10.8 percent" while "extended family system constitutes 38.0 percent of the number of households in the District" (GSS, 2010, p. ix [PHC for Builsa North District]). Large family sizes coupled with the extended family system requires large amount of resources for family care; their feeding, health and educational needs. This hinders local economic development in the sense that what would have been used to operate or expand businesses would be diverted for family support.

4.5. The Actors of LED and Their Roles

Local economic development is a collaborative effort of beneficiary communities/ community-based organisations, the private sector and the government to utilise the available resources to create jobs. The actors of LED identified by the study in Builsa North District include but not limited to; public sector institutions (DA, BAC /NBSSI, District Agricultural Unit and

Community Development and Social Welfare Department) and the private sector (Community Based Rehabilitation (CBR), Presby-Agriculture and FISTRAD) all located within the District capital.

From Table 4.5, the respondents have rated all the organisations good in contributing to LED in the District. While about 45 percent rated good for NBSSI, about 36 percent of the respondents said NBSSI is excellent when it comes to local economic development. Similar trend of responses were observed for Community Development (77.3%), the DA (54.5%), NGO's (54.5%) except MOFA (45.5%) which was rated fairly.

Table 4.5: The Actors or Agents of LED

Rating	NBSSI		Community Dev't		MOFA		DA		NGOs	
	Freq	%	Freq	%	Freq.	%	Freq	%	Freq	%
Poor	3	13.6	2	9.1	1	4.5			2	9.1
Fair	1	4.5	1	4.5	10	45.5	6	27.3	2	9.1
Good	10	45.5	17	77.3	8	36.4	12	54.5	12	54.5
Excellent	8	36.4	2	9.1	3	13.6	4	18.2	6	27.3
Total	22	100.0	22	100.0	22	100.0	22	100.0	22	100.0

Source: Field Survey, 2016

4.5.1. The role of the District Assembly in contributing to LED

The Assembly as part of its mandate is to provide services, create employment and to promote development in the locality. The lead actors for local economic development are fundamentally local people whose responsibility and commitment is to improve city development (see City Alliance, 2007). The District Assembly as a lead actor of LED creates an enabling environment for private sector and civic groups to participate in local development through partnership. This implies that the DA plays the lead role in the provision of infrastructure (such schools, hospitals, clinics, roads, market infrastructure, and irrigation dams), local skills training/

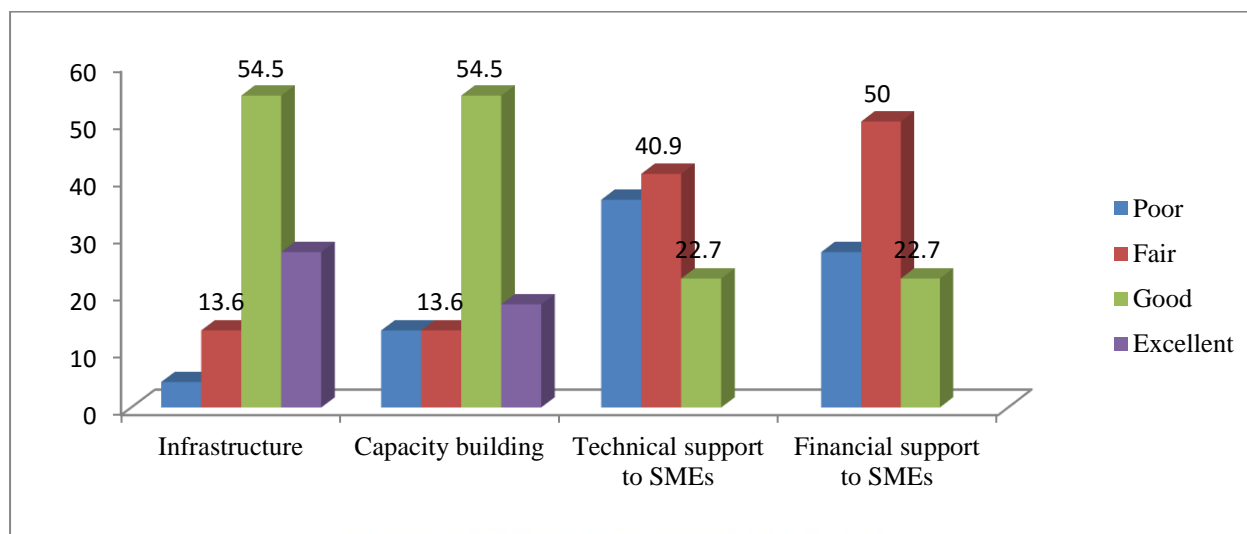
development and collaborating with donor agencies to provide financial support for local entrepreneurs.

The success of decentralization depends on how well fiscal decentralization is designed (Berg, 2004, p.33). The District Assembly has set the platform for the promotion of local economic development in the district and this has confirmed what Akudugu (2013) has said in his study of Bongo District. It is also accepted that DAs play significant roles in the economic development process and the success of local economic development is largely dependent on effective local government participation (Sjostrom, 2010, p.10). The District Assembly alone certainly cannot provide all the needs of the people but should transcend from only capacity building of local authorities to effectively utilise revenue for their role as LED promoters (Alberquerque, 2004) to include active roles in LED. The DA has taken a lead role in setting the environment to stimulate private sector and civic society participation in the developmental roles of the district. Builsa North District Assembly has contributed effectively in the provision of infrastructure, increased access to education and health services. Electricity and water supply has had an increasing coverage in the district with majority of rural communities hooked to the national electricity grid. Water pipe systems are connected to the major towns supplemented with the provision of boreholes. The boreholes and wells invariably serve the rural population. There are two main irrigation dams in the district in addition to the Tono irrigation dam in the Kasena Nakana District, which also serves the Chuchuliga environs that shares boundary with the Kasena Nakana District. However, the two irrigation dams have recently not been used because of the low water level. Reconstruction is needed to increase the volume of water for more farmers to engage in dry season farming. Currently another new irrigation dam is under construction to add up to the existing though out of used ones. Agriculture farming is predominantly the major economic activity among the people, however, poor rains and infertile lands (as a result of over cultivation due to limited farming lands) results

in low yielding. This food insecurity in the district is a major concern. The effort by the DA is in a good direction to find alternative means of farming especially in the dry season where there is rampant food insecurity among the rural poor. Despite these efforts by the Assembly, the provision of public goods and services are done in a slow manner, if not limited.

In terms of roads, it must be noted that no road network in the district is tarred except the one linking the district capital to the regional capital. While it appears to be well with the provision of feeder roads in the district, there are however, limited means of transport systems linking the towns and communities. This probably is because of the limited economic activities in most of these towns. Commercial transport systems are only available at all times in the district capital, Sandema linking the district to Navrongo, Bolga. Other towns like Wiaga, Chuchuliga, Siniesi, and Kadema rarely have any transport systems that work on daily basis except on their market days. The use of motorbikes are the most common means of transport within the district. But this is basically a private means of transport and as such limited to private use.

The District Assembly as part of its roles in setting the environment also provides or ensures the following: peace and security, sponsoring needy but brilliant students, monitoring and evaluation of development plans, collaborating with donor agencies for credit facilities and facilitating community sensitisation on decentralization and local development.

Figure 4.10: The Role of the District Assembly

Source: Field Survey, 2016

Figure 4.10 shows the major roles played by the DA to promote local economic development.

As shown in the figure, respondents rated the DA good with 56 percent in terms of infrastructure provision and local capacity/skills development. Respondents noted that, the DA is doing well in terms of the provision of educational and health facilities. There are primary schools and CHPs compounds in almost all the communities in the district.

Regarding the role of DA in the development of the district, the District Director of Education stated that:

The DA does not meet all our expectations but once it meets about 60 to 70% of our expectations I think it is ok. Not everything can be done at a go. It will be solved gradually. Most of our schools are no longer under trees (District Director of GES, 2016).

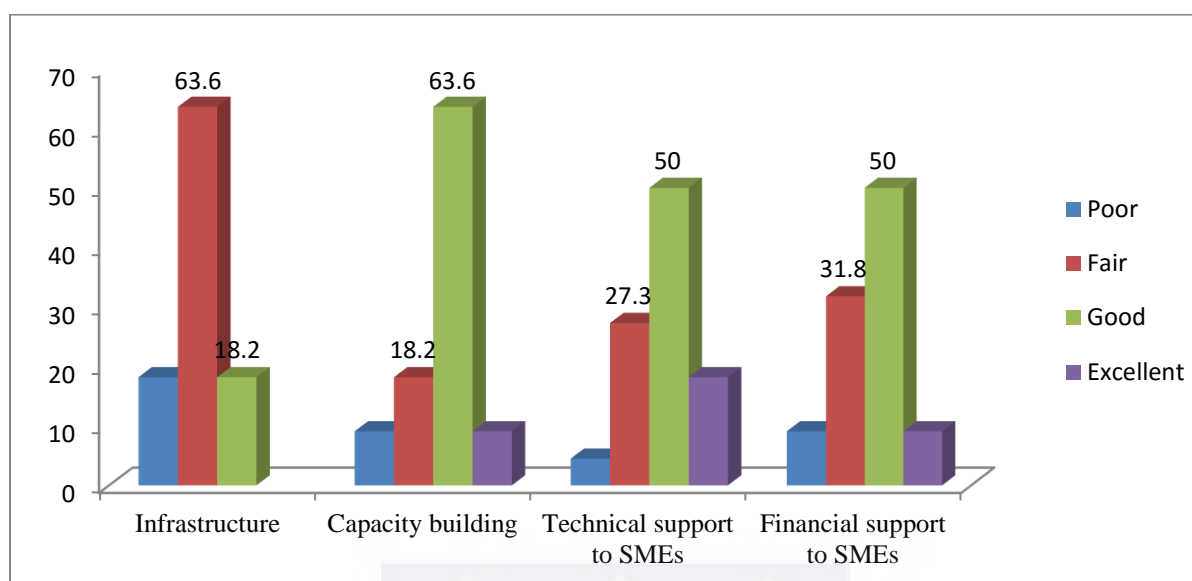
However, the DA is rated fairly in the provision of technical support to SMEs (40.9%) and financial support to SMEs (50.0%). The District Assembly though provides financial support for local skills development through counterpart funding. The DA allocates some percentage of their common fund for rural enterprise programmes and community based self-initiated

projects. Other ways in which the District Assembly does support local people is the creation of job opportunities through Ghana Social Opportunities Project (GSOP), Livelihood Empowerment Against Poverty (LEAP) and the Disability Fund. The study therefore has confirmed that, the DA contributes more to infrastructural development (in the areas of education and health) than MSE growth and development.

4.5.2. The Role of NGOs and Donor Agencies

The role of NGOs in local economic development cannot be underestimated. Private sector and civic groups in partnership with government can boost local development by identifying the potentials in the district to create jobs. The major role of some of these NGOs is to identify local business associations that have the potential to make income, expand and to create employment in the district. For instance, the Rural Enterprise Programme of the District Assembly had identified community-based groups and associations and empowered them through business development training, financial support and facilitated them to develop their own businesses. The programme has also facilitated them to open bank accounts with the Builsa Community Bank (Bucu Bank) and processed them through the Rural Enterprise Development Fund and the Rural Enterprise Matching Grand.

Figure 4.11 presents the roles of NGOs in the district. Respondents rated NGOs fairly in the provision of infrastructure in the District. However, NGOs are doing well in the areas of capacity building of local entrepreneurs (63.6%), technical support to MSMEs (50.0%) and financial support to MSMEs (50.0%).

Figure 4.11: The Role of NGO's in LED

Source: Field Survey, 2016

Some of the NGOs that provide capacity, technical and financial support to MSMEs include; FISRTRAD, Presby-Agriculture Development, Community Base Rehabilitation and Japan Social Development Programme.

The role of NGOs in the district cannot be underestimated. NGOs play significant roles in the areas of capacity building, provision of start-up capital and technical guidance for micro and small enterprise entrepreneurs. Presby-Agriculture provides technical support and training to farmer-based groups. The Community Based Rehabilitation also identifies the vulnerable, and people with disabilities and offers them training skills and development. They equally offer them start-up capital to enhance their livelihood. It is applied to FISTRAD. FISTRAD has also identified local skills training as a major component of enhancing local development. They train the youth basically in the following areas; hairdressing, cloth weaving and dressmaking. The Japan Social Development Programme has supported local business groups with skills training in income generating activities and with the start-up capitals to start their own businesses. After the training, monitoring was done to ensure that all clients actually benefited

from the programme. The action plan of the Japan Social Development Programme (JSDP) facilitated by the BAC unit of the DA is provided below.

Table 4.6: Japan Social Development Programme 2015 Action Plan

No	Activity	No. of Beneficiaries		Resource Person	Location
		Male	Female		
1	Technology improvement and packaging in shea butter processing	4	28	Presby-Agric	Balansa
2	Malt processing	-	30	Mr. Margaret Azantilow	Sandema
3	Technology improvement and packaging of soap making	1	10	Alhaji Sumala (from Winchi)	
4	Guinea fowl rearing training	20	44	MOFA	
5	Sheep and goat rearing training	77	161	MOFA	
6	Dowadawa processing	1	16		
7	Groundnut processing	-	12		
8	Rice parboiling	2	6		

Source: Builsa North District Business Advisory Centre, 2015

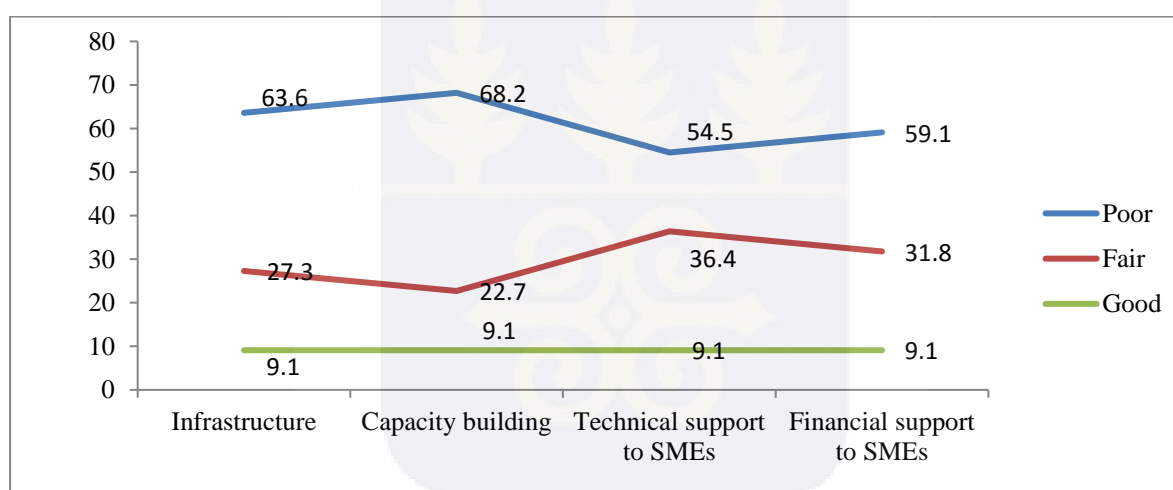
Donor Agencies usually transfer funds to the District Assembly or the Business Advisory Centre to coordinate rural development programmes that are aimed at reducing poverty and enhancing the living conditions of people through business or skills development training and financial support. The skills development programmes are to equip individuals or groups with skills in special or technical areas to enable them venture into micro and small scale businesses that can generate income for them. Currently, the JSDP is into identifying income generating activities such as leatherwork, soap making and packaging, shea butter processing and packaging, dawadawa processing, livestock rearing and many more and empowering individuals and groups to be able to establish or expand their own businesses. Beneficiaries of this programme are supported with initial capital known as the Japan Social Development Matching Grant coupled with supervision and monitoring to ensure that funds are actually being utilised for their intended purposes.

4.5.3. The Role of Individuals/ Community Based Organisations in Local Development

The individual has a responsibility to play in LED. The individual has to bring out his talents and participate in community durbars to contribute ideas to the LED strategies. Formation of community-based organisations serves to increase participation and encourage local government and other agencies to enter into partnership.

The role of the individual and CBOs is presented in figure 4.12. The data showed that individuals play a poor role in LED even though they have been considered one of the lead actors of LED.

Figure 4.12: The Role of Individuals/ Community Organisations in Local Development



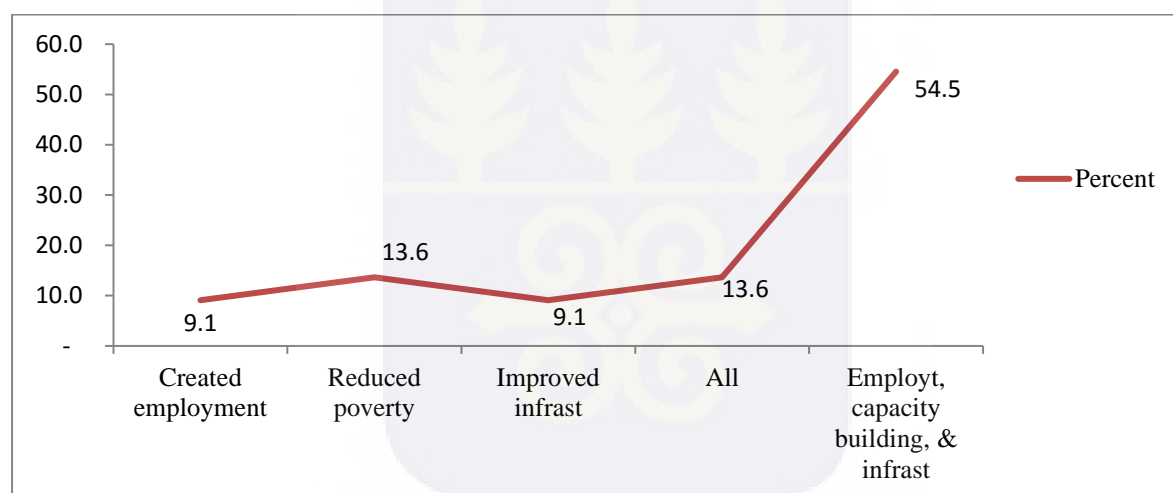
Source: Field Survey, 2016

4.5.4. Benefits of the LED programme in the District

The Rural Enterprise Programme in partnership with the DA has trained and provided business services to many identified community groups on various aspects of the economy including livestock rearing, leather work, shea butter processing and packaging, malt processing, soap processing and packaging and dawadawa processing. The programme has also supported them with the start-up capital. As a result of the start-up capital, most of the clients have established their own businesses while others have expanded their businesses by employing others.

From figure 4.13, majority of the respondents (54.5%) said the programme has created employment, built capacity of local entrepreneurs and provided infrastructure which brought about a lot of benefits not only to the clients but to the entire district, since their products are available to everyone. The DA also benefits a lot since more and more people are working and they would in turn pay taxes to the Assembly. As Vazquez (2002) rightly noted, successful LED would be beneficial in many ways including: employment creation, developing skills of individuals and groups towards high productivity and raising the income of households.

Figure 4.13: The Benefits of LED Programmes in the District



Source: Field Survey, 2016

4.6. Conclusion

The chapter has presented the results of the data collected. Both frequency tables and graphs were used to present the findings. The chapter particularly paid attention to: the effect of fiscal decentralization on LED, the barriers of fiscal decentralization, the challenges of LED and finally the LED actors and their roles in the district. The LED policy benefits in the district is the generation of employment, building of capacity and enhancement of the provision of infrastructure.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

This section contains the summary of findings that are captured under the four objectives of the study. The section therefore entails the contribution of FD to LED, the constraints of FD, actors of LED and their roles and challenges in promoting LED. Finally, the conclusion and recommendations are also presented.

5.1. Summary of Findings

Findings of the study are presented here under the four research objectives: contribution of FD to LED; the challenges to effective fiscal decentralization; challenges of LED in the district, and the actors of LED and their responsibilities.

5.1.1. Contribution of Fiscal decentralization to LED

The contribution of fiscal decentralization to LED is analysed on the bases of: access to infrastructure; access to social services; access to credit facilities; participation in local decision making, LED capacity training and finally employment creation.

Access to infrastructure: It is argued that local governments are strategically placed to embark on local long term planning in the area of local economic development in partnership with NGOs, private sector and CBOs. As rightly noted by Rogerson (1999), that the function of local authorities is to establish and manage local projects whose aim is to bridge inequalities between citizens as the Assembly has the authority to facilitate the provision of public goods. The study reveals that the Assembly over the years has been doing well in the provision of infrastructure especially, schools, CHPs compounds and market stores and sheds. This has direct and indirect effects on local development. Farmers have access to improved feeder roads to transport their foodstuffs from the farm sites to the market. What this also means is that they

can produce more food and supply more since there is ready market. With fiscal decentralization, schools under trees have also been eliminated (District Director GES, BNDA). Because of the presence of CHPS compounds in almost every community, people rarely have to travel over long distance to access health on minor illnesses. Most of the communities are currently hooked to the national grid and are benefiting from electricity through the rural electrification project.

These interventions themselves may not directly create jobs but set the stage and facilitate an enabling environment for local enterprise growth and development (Stren & Gombay, 1994; Rogerson, 1999).

Participation in local decision-making: Participation in local governance involves key stakeholders such as the private sector, donor agencies, civil society, traditional authorities and the public. The study found that these stakeholders actively participate in the formulation and implementation of the district development plans, fee-fixing resolutions, usually at General Assembly meetings and stakeholder forums. Decisions taken with the full involvement of the citizens are less likely to fail.

Access to social services: In fact, the study found that FD actually contributes to provision of social services with special attention to the educational sector. With special intervention programmes like LEAP, Disability Fund and GSOP, the vulnerable and disadvantaged groups in the communities were supported with funds to engage in economic ventures that would help eradicate poverty. Ghana Social Opportunity Project (GSOP) has created some employment opportunities for people to generate income for themselves through labour work on projects that benefits the whole community directly; rehabilitation of roads, tree planting, and

construction/ rehabilitation of dams. The study however found that the provision of these social services were very limited in scope and covers only small fraction of the population.

Access to credit facilities: Funding is a lifeblood of every organisation. Access to funding is a necessary condition for the growth and development of micro-enterprises. Unfortunately, there is only one rural community bank in the District that provides financial services. This constitutes a challenge to LED. The DA also does not directly provide credit facilities to local and micro-enterprises. Access to variety of credit facilities by individuals in the District is not an option since there is only one financial institution in the District. As rightly put by Oates (2005, p. 351) “without access to monetary prerogatives and with highly open local economies, decentralized governments have only a very limited capacity to influence local levels of employment and prices”.

LED Capacity Training: The Assembly through the Rural Enterprise Programme provides local skills training. The department identifies local business groups and trains them to improve upon their services. Some of the local skills training provided by the unit include, livestock rearing, shea butter processing, leatherwork and many more. However, the number of beneficiaries the department trains in a year is limited due to inadequate funds. Worsened by the late releases of these funds from government and donor agencies, the Assembly is unable to train many people at a go.

Besides, there is limited number of specialised LED trainers in the district to facilitate training and planning of LED programmes.

Employment Creation: The study revealed that the DA does not directly create employment for the citizens but instead as highlighted, by Blakely and Bradshaw (2002), the DA plays a facilitation role in job creation. Though the DA has created labour jobs for some people under the GSOP programme, these jobs were short-term measures to poverty reduction and are rarely

sustainable in themselves. The private sector institutions and individuals are the major creator of employment within the District.

Funding LED: The main sources of funding for LED in the district is the District Assemblies Common Fund (DACF), District Development Facility (DDF), Ghana Social Opportunity Projects (GSOP), internally generated fund (IGF), Sector support from government departments (Ministry of Trade and Industry) and donor funding (Japan Social Development Fund (JSDF)) (Builsa North District Assembly Budget, 2015). It must be noted that in the Builsa North District, most of these funds are not forthcoming. Sometimes, funds do not come at periods where LED plans could be executed and even if they come they have certain conditions attached (Oates, 1993). The District's own internally generated revenue is woefully inadequate to support local economic programmes. Poor districts struggle to access available sources of funding due to low capacity limitations and their weak revenue base may debar them from accessing standard concessionary loans.

Though the District Assembly can access funding from variety of sources, the district "often lacks adequate, locally available funds and competencies to drive the LED process independently" (Patterson, 2008, p. 11). Moreover, as stressed by Rogerson (2010) the funding sources that are available to the district to a large extent are insecure. Patterson (2008) opined that LED generally relied mostly on charitable donations and public grants. This implies that local and international non-governmental organisations or donors are the key actors that support many local governments including BNDA in respect of accessing or making available direct funding for LED initiatives (Rogerson, 2008).

In summary, the District Assembly has not generated enough revenue on its own to meet the developmental needs of its people. However, it was found that FD has some potential useful roles in contributing to LED, but the translation of these potentials to actual local economic

development depends on a number of factors including local institutions responsiveness to local welfare and the fiscal institutional structures (Oates, 1993). Much is needed to supplement its internal revenue. Though donor agencies (both local and international) and central government transfers have stepped-in in the right direction, these funds do not flow regularly to the District Assembly and even if they flow, it comes with expenditure constraints (Crawford, 2008). The various social intervention programmes provided by the Assembly have brought a significant contribution to education, employment, local skills development, infrastructure investment and livelihood empowerment. This is what local economic development at the most basic terms sought to address, investing in the livelihood activities of families and individuals (Wekwete, 2014). With these contributions of the Assembly and in view of its resources available, not everyone may directly feel its impact in the short run, but would greatly impact the lives of people in the long run as the local economy continue to expand.

5.1.2. Constraints of Fiscal Decentralization

Fiscal decentralization is good but it is not without challenges. The various challenges confronting fiscal decentralization are analysed in three main sections: legal and political environment, quality of staff, revenue and expenditure autonomy and fiscal balance.

Legal framework of decentralization: There is no total devolution in Ghana. The Assembly was supposed to be a comprehensive body comprising of all the decentralized departments under one composite budget system that was introduced in 2012. However, some of the decentralized departments such as health and education are not under the Assembly. The 1992 constitution and the local government act do not empower the District Assembly to hire and fire its own staff. The power of the DA to hire and fire is limited to casual workers who are usually paid from IGF.

It however must be noted that, a complete devolution that gives absolute powers to local governments to raise their own revenue and control their own expenditure may also be a recipe for disaster. It may lead to unequal development as wealthier districts may agitate to be autonomous and to operate independently (Asante & Ayee, 2010) while poor and deprived districts may not be well endowed with enough resource (natural resources) to effectively influence their own development. The well-endowed districts would continue to grow and expand while the poor districts would become poorer.

Political appointment of District Chief Executives: The study revealed that the appointment of DCEs in the local government political system serves as a barrier to effective decentralization. The overall boss of the Assembly is the District Chief Executive (DCE) who is also the political head. The central government appoints the DCE subject to the approval of the General Assembly. Some DCEs have little or no training about how public funds should be managed. Such inexperienced leaders can cause a lot of spending to achieve their selfish ambitions of remaining as political leaders (Asante & Ayee, 2010). They may focus too much on championing the agenda of the political party to which their loyalty lies to the detriment of the interest of the masses. This is a serious barrier to the full realization of fiscal decentralization. The appointment of DCEs does not also ensure effective downward accountability as the DCE would be more accountable to the president than to the local people. Antwi-Boasiako (2010) shares similar views. Lack of downward accountability mechanism at the local level to propel duty bearers to be responsive is a clear manifestation of “democratic deficits in the national political framework of decentralization in Ghana” (Crawford, 2010, p. 92).

Quality and quantity of Staff: The quality and adequacy of local government revenue staff in deprived districts may affect the implementation of FD. The calibre of staff posted to manage resources at the district level especially the deprived districts cannot cause effective utilization

of public funds. Those who are highly qualified to mobilize public finances usually may not accept postings to deprived districts. At the end, we may have a maximum of HND holders mobilizing the whole resources of the Assembly. In the Builsa North District, as in most of the District Assemblies in Ghana, the revenue staff have low-level qualifications (SHS). Lack of capacity training for staff at the local level has serious implications for fiscal decentralization. In addition to that, poor accountability of revenue collectors coupled with poor supervision and monitoring of the revenue staff results in revenue leakages. This is a serious impediment on effective revenue generation in the district.

Control of revenue and expenditure: The study found that the Assembly is unable to generate enough revenue on its own to finance its own development as a result of lack of adequate economic activities in the district and also the district is inhabited by a lot of people with critical income challenges. In addition to that, local governments have been mandated to raise their own revenue in terms of market tolls and basic rates, but the central government takes most of the lucrative tax areas (Nkrumah, 2000). This makes the Assembly unable to generate enough revenue to meet its own expenditure. With paltry internally generated fund, the District Assembly would continue to depend largely on central government's transfers for the implementation of its major development programmes and projects. Central government's transfers do not flow regularly to the Assembly and this affects the development of the locality. That notwithstanding, the late releases of government funds and their accompanying regulated expenditure are intended to benefit central government and not the locality. For instance, the guidelines for the utilization of DACF for the 2014 fiscal year requires that, part of the grants should be used to provide CHPs compound which might not be a priority area of the people. Some aspects of government policies do not really provide support for the full realization of fiscal decentralization.

Fiscal balance: Ensuring fiscal balance in the country is very important. Devolving fiscal power to local governments can lead to either vertical or horizontal imbalances. If vertical balance is not put in place then intergovernmental fiscal system would be badly compromised (Bahl, 2008). When District Assemblies are given more expenditure functions relative to revenue, some services might not be provided or may be shoddily provided (Bahl, 2008). Eventually fiscal deficits would set in causing DAs to be indebted to their service providers. Similarly, when the DAs are assigned more revenue functions relative to expenditure, central government would not have enough resources to deliver services (Bahl, 2008) and this can compel the government to increase taxes.

5.1.3. What are the Factors Hindering the Promotion of LED in the District?

There are numerous benefits of adopting LED strategies at the local level. Many local governments are enthused by the perceived benefits that have propelled them to enact local economic policies for implementation. This is however not without hindrances, the factors that were identified that hinder the promotion of LED is captured into three main sections: administrative, socio-cultural and human capacity.

Administrative challenges: From the study, almost all the respondents identified inadequate funds as the major challenge the Assembly faces in the implementation of its plans. Some of them have expressed worries over the late flow of funds. The head of BAC has actually admitted that the counterpart funding from the Assembly is not forthcoming. Moreover, some of the potential beneficiaries do not cooperate by contributing their quota to support local business training programmes. The issue of lack of funds is a barrier in every organisation but it is more of a chronic problem in the Builsa North District. They have attributed most of their inabilities to develop to lack of adequate funds. Unfortunately, it is very difficult to ascertain the truth about their finances. Crawford (2008) also expressed this view.

The Business Advisory Centre that is a department responsible for monitoring and evaluating local/ rural enterprise development programmes is in fact incapacitated in terms of logistics to undertake its core functions. This seriously hinders the promotion of local economic development. It is amazing that the BAC of the District Assembly have had their vehicle broken down several months before this study and still was not sure when the maintenance of the vehicle would be done. What effective monitoring and evaluation can one expect from these officials in the face of these challenges?

Political commitment and support is very important in the assessment and implementation of LED policies. Bottom up policies are more effective than top down support from either regional or national governments (See Citi Alliance, 2007). Top down support from central government may dictate LED policies that may not reflect the local potentials but the District Assembly is forced to comply because of the directives. Plans developed and imposed by government alone may not receive community commitment (Blakely & Bradshaw, 2002).

Socio-cultural Factors: Funeral rites and large family size constitute a socio-cultural factor that negatively affects community level development in the Builsa North District.

Capacity: Human capacity required to be able to identify and formulate community economic development potentials was identified as a challenge. Quality human resource availability in an area can attract industries or business to the area (Blakely & Bradshaw, 2002). It appears from the data gathered that, quite a number of the respondents are unable to point out the local economic potentials within the district. Similarly, community groups seem not to be fully aware of their roles as key actors of LED. Though there were skills development training being carried out among some segments of the population, local authorities require training in local economic development to enable them be able to assess local potentials and formulate appropriate policies to facilitate and coordinate local development.

Similarly, the study found that, the BAC and private sector institutions (FISTRAD and Presby-Agric) contributes to capacity building/ training of local entrepreneurs in the district. However, the number of people who benefit from these trainings are usually due to limited availability of funds.

Data collection challenge: One of the challenges of LED in the district is the availability of quality local data to enhance the understanding of the local economy that will identify local competitors and inform local LED decision making. Rogerson (2008) also identified this challenge.

5.1.4. Actors of LED and their Roles

Local economic policy formulation and implementation is most often a collaborative exercise that involves a wide set of stakeholders from government institutions, civic groups and private bodies (See City Alliance, 2007) and the lead actors of LED tend to be local who have a clear responsibility and commitment to promote LED in the District. The lead actors of LED in the district include, the District Assembly, Donor Agencies, NGOs and CBOs.

The DA plays a significant role in the economic development process of the district. The DA mainly contributes to LED through mainly facilitation and coordination.

NGOs contribute to LED through the provision of capacity building, start-up capital and technical guidance for micro and small scale enterprise entrepreneurs.

Donor agencies usually through the District Assembly and the Business Advisory Centre supports LED in the district by funding some of the local economic development programmes.

Individuals play a poor role in LED

5.2. Conclusion

In this research, the context of fiscal decentralization and local economic development has been reviewed. Fiscal decentralization was defined as the transfer of budgetary authority and functions from the CG to LGs to make decisions regarding revenue mobilization and expenditure (Boschmann, 2009). Local economic development was also defined as the process by which local governments collaborate with community groups and the private sector to establish and manage the existing resources to create jobs and stimulate the economy of a well-defined area (Helmsing, 2001). The study focused on fiscal decentralization and local economic development in the Builsa North District in the Upper East Region. The study has determined the contribution of fiscal decentralization on local economic development, the barriers of fiscal decentralization, factors that hinder local economic development and finally the actors of LED and their respective roles. To address these objectives, the study adopted qualitative research method within the case study design. This has allowed deeper analysis to be able to come out with findings that would have otherwise not been possible using only quantitative research method. Therefore, both structured questionnaires and semi-structured in-depth interview questionnaires were administered to 22 staffs and 8 heads of departments respectively.

It was found that, fiscal decentralization facilitates LED but with minimal effects. This is because of the heavy reliance of the Assembly on central government's transfers, which in turn undermines the fiscal autonomy of the Assembly. The provision of public goods and services within the assembly to a large extent is the result of negotiation between local authorities and central government. Without central government's interventions, the assembly is unable to provide its basic services. The reason is simple, low IGF base rarely even meets its administrative expenses.

The decentralization policy and local government acts, Act 462 have provided the legal framework for the operation of decentralization in Ghana. There is however not complete devolution that empowers the local authorities with absolute fiscal autonomy. There may be several reasons for this incomplete decentralization, but the lack of revenue and expenditure autonomy of the local authority is a limitation to fiscal decentralization. The reality is that the District is unable to generate enough of its own revenue, hence it relies heavily on central government's transfers which flow is often times not regular. Most often, these transfers to the Assembly have certain strings /conditions attached which may not favour local conditions. Some experts of local government also said, the appointment of District Chief Executives and Assembly Members does not ensure downward accountability. In addition, the result of government's appointment is that they will be directly accountable to the central government instead of the local people. At the local level, many compromises would be made to suit the central government in appreciation for their appointments. This is a reflection of the popular saying 'scratch my back and I will scratch yours too'. This greatly hinders the full realization of fiscal decentralization.

The study also found that low economic activities contribute to low IGF base and in addition, socio-cultural practices (expensive funeral rites, and high illiteracy rates) are predominantly the barriers to local economic development in the district. Though funding has appeared to be the major challenge faced by the assembly, lack of community-based groups' cooperation coupled with inadequate skilled LED experts within the district is an obvious impediment to LED.

Finally, the study has identified the actors of LED within the district and their roles. These actors include the local government (the Assembly), community-based groups, NGOs and donor agencies. Any of these actors plays one or more of the roles of an entrepreneur, a facilitator, a coordinator or a stimulator (Blakely & Bradshaw, 2002) in contributing to local

economic development in the district. The Assembly in this case is obviously the lead actor in setting the stage for LED. The Assembly has provided infrastructure, ensured citizens participation in its decision making process, contributed to capacity building of Micro, Small Medium Enterprises (MSMEs), and is providing little direct technical and financial support to MSMEs in the district. Based on the data gathered, the Assembly is playing the role of facilitation but with little roles in coordination, stimulation and entrepreneurship. The NGOs and community-based groups, which include FISTRAD and Preby-Agric jointly, play the role of entrepreneurship and facilitation. They facilitate LED by providing local skills training and technical support and to some extent start-up capital for young entrepreneurs to establish their own businesses after their training. The Japan Social Development Fund and United Nations International Children Education Fund (UNICEF) are the donor agencies that support the capacity of the District Assembly in contributing to local business development and education respectively.

5.3. Recommendation

The findings of this study would be relevant in two main ways: policy recommendation and recommendation for further research.

5.3.1. Policy Recommendations

In terms of policy, the study would contribute to knowledge in relation to fiscal decentralization challenges, how fiscal decentralization helps to promote LED, the actors of LED and their roles and finally the factors inhibiting LED promotion within the local level. As a result, it would help policy makers especially, local governments to design strategic plans to minimise their challenges and to maximize local economic development.

The study made the following specific recommendations;

1. Fiscal decentralization could be made very effective through legal and political commitment. However, this might sound an issue of national concern rather than local governments who do not have the locus to effect any changes in the national constitution. Nonetheless, local governments could call for amendments of the constitution in view of its anticipated benefits.
2. In addition to the above, local governments should be empowered to elect their own DCEs and hire and fire their own staff. With this, there will be downward accountability.
3. Training or capacity building: local leaders should be trained on how to manage public resources effectively to create local economic development. In addition, assessing, designing and planning LED requires some special skills. District coordinating directors, district planners, district budget analysts, district engineers and Rural Enterprise Programme directors should be given special training to facilitate local development planning and implementation since they are the key staff in the area of planning and implementation of local policies in the district.
4. To strengthen LED at the local level, government should provide incentives or motivation packages for well experienced staff who accept posting to work in rural areas. Incentives in the form of allowances, salary increment should be given to staff to induce them to stay in deprived districts. In addition, they should make logistical support such as vehicles for monitoring available for districts that cannot afford to acquire this logistics.
5. From the analysis, the data has shown considerable commitment of community members in promoting the Builsa 'Feok Festival' (annual festival to commemorate the work of their fore fathers in the fight against slavery) that attract people from far and

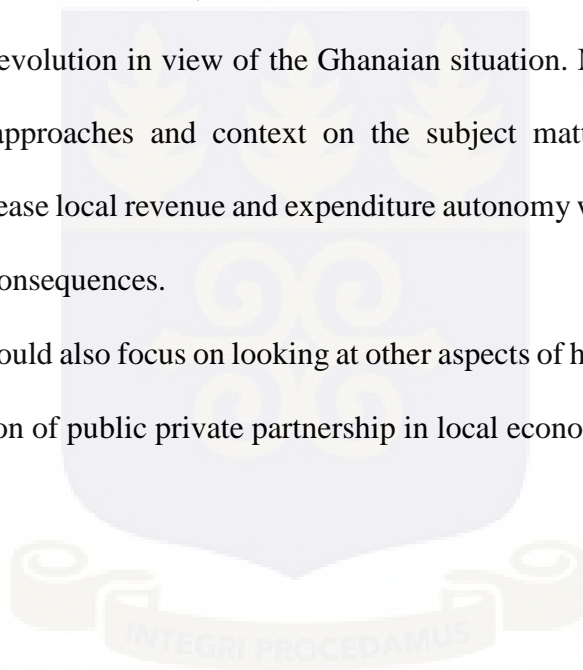
near to the district to witness the rich culture of the people and to contribute to development. There are other local potentials such as leatherwork and shea butter extraction that the DA can develop to attract investors. The study recommends that, local governments, as part of their contribution to employment and revenue generation in the districts, develop and publish their local potentials.

6. To reduce the barriers to LED, there should be regular sensitisation of community members on the negative cultural practices that affect economic development. Moreover, cultural values should be inculcated in the educational curriculum to gradually discourage bad or negative cultural practices that have the tendency of affecting development within the district. Non-formal education can also be intensified within the district to reduce the illiteracy rate. The DA can help community members to understand the benefits of forming community based organisations. The DA and private bodies can provide training programmes to community-based groups on how they can influence or contribute to their local development.
7. In general, LED in the District Assembly is doing somewhat well but not as much to desire. Therefore, there is the need for the District Assembly to involve private sector (Rogerson, 2010) in its LED operations. One important issue that concerns partnership between the District Assembly and the private sector is 'red tape' or local regulatory reform (Rogerson, 2010) and addressing it is a step forward to facilitating LED initiative. Local authorities can eliminate severe bureaucratic processes and accord importance to improving the local environment for private sector participation in the district. One other way of helping small enterprises to grow is to reduce taxes and the cost of business registration for new businesses.

5.3.2. Recommendation for Further Research

The study made the following recommendations for future research;

1. The current study has found how the District Assembly used its fiscal resources to promote local economic development using the staff of the Assembly as its sample. Further research should increase the scope of the study area and/ or the sample size to include the public to contribute to the understanding of the effect of FD on LED.
2. There is still no consensus on the effect of complete fiscal devolution on local development. In addition to that, the literature has not shown any clear justification for absolute fiscal devolution in view of the Ghanaian situation. More research is needed from different approaches and context on the subject matter to identify the best strategies to increase local revenue and expenditure autonomy without causing negative developmental consequences.
3. Further studies could also focus on looking at other aspects of human development such as the contribution of public private partnership in local economic development.



REFERENCES

- Adablah, C. (2003). The Role of Civil Society in Decentralized Governance for Poverty Reduction: The Experience in West Africa. *UN-DEBA Workshop paper*.
- Adomonline.com. (2014, 3rd November) *Nkwanta South DCE Murdered in cold blood*. Retrieved on 10-11- 2015, from <http://myjoyonline.com/news/2014/November-3rd/breaking-news-nkwanta-south-dce-shot-dead.php>
- Ahwoi, K. (2010). *Local Government and Decentralization in Ghana*. Unimax Macmillan.
- Akai, N. & Sakata, M. (2002) Fiscal Decentralization contributes to economic growth: Evidence from state-level cross-section data for the United States: *Journal of Urban Economics* 52 93–108.
- Akudugu, J. A. (2013). *Organizing and Implementing Local Economic Development Initiatives at the District Level in Ghana*. PhD. Thesis. Universitäts-und Landesbibliothek, Bonn.
- Antwi-Boasiako, K. (2010). Administrative Decentralization: Should Districts and Regions elect their own Leaders in Ghana? *African Social Science Review: Vol. 4(1): 35-51*
- Asante, F. A. & Ayee, J. R. A. (2010) *Decentralization and Poverty Reduction*. Research Gate (Accessed on 29/11/2015 from www.researchgate.net/publication/265047859_Decentralization_and_Poverty_Reduction)
- Asthana, A. N. (2003) Decentralization and Supply Efficiency: The case of Rural Water Supply in Central India. *The Journal of Development Studies*, 39:4, 148-159
- Ayee, J. R. A. (1992) Decentralization under Ghana's Fourth Republican Constitution: *Law and Politics in Africa, Asia and Latin America*, Vol. 25, No. 4 pp. 394-406

- Ayee, J. R. A. (2003) Decentralization and local governance in Ghana: in Crawford, G. (2008) Decentralization and the Limits to Poverty Reduction: Findings from Ghana. *Oxford Development Studies, Vol. 36, No. 2*
- Ayee, J. R. A. (2004) Ghana: a top-down/ initiative, in: Crawford, G. (2008) Decentralization and the Limits to Poverty Reduction: Findings from Ghana. *Oxford Development Studies, ol. 36, No. 2*
- Azila-Gbettor, E. M., Adjimah, H. P. & Tibu, S. K. (2014) Fiscal Decentralization and Poverty Reduction: Citizens View; *Journal of Social Economics Research, 1(6): 118-128*
- Bahl, R. (1999) Implementation rules for fiscal Decentralization: International Studies Program. *Working Paper 99-1*
- Bahl, R. (2008) The Pillars of Fiscal Decentralization. *CAF Working Papers*
- Bahl, R. W., & Linn, J. F. (1992). *Urban Public Finance in Developing Countries*; Oxford University Press (World Bank): New York
- Bengt, J. (2007) Enacting local economic development – theoretical and methodological challenges", *Journal of Enterprising Communities: People and Places in the Global Economy, Vol. 1 Iss 1 pp. 7 - 26*
- Berg, R. D. V. D. (2004). Lessons Learned on Donor Support to Decentralization and Local Governance. *DAC Evaluation Series*. Paris, OECD.
- Bird, M. R. & Vaillancourt, F. (1998) *Fiscal Decentralization in developing countries*. Edition (1).Cambridge University press. New York
- Bird, R. M. (1986). On Measuring Fiscal Centralisation and Fiscal Balance in Federal States. *Government and Policy 4. 405-18.*

- Bird, R. M. (1986). On Measuring Fiscal Centralisation and Fiscal Balance in Federal States. In Oates, W. (1993). *Fiscal Decentralization and Economic Development: National Tax Journal*, XLVI, 237–243.
- Blakely, E. J. & Bradshaw, T. K. (2002). *Planning Local Economic Development: Theory and Practice*. 3rd Ed. Sage Publications Ltd. London
- Bluestone, B., Harrison, B. & Baker, L. (1981). *Corporate Flight: The causes and Consequences of Economic Dislocation*. Washington, DC: Progressive Alliance Books.
- Boateng, R. (2014) *Research Made Easy*. 1Ed. PearlRichards Foundation. Accra, Ghana.
- Bodman, P. & Hodge, A. (2010). What Drives Fiscal Decentralization? Further Assessing the Role of Income: *Fiscal Studies*, Vol. 31, No. 3, pp. 373-404
- Boschmann, N. (2009). *Fiscal Decentralization and Options for Donor Harmonization DPWG-LGD*
- Brennan, D. & Buchanan, J. (1980). *The Power to Tax: Analytical Foundations of a Fiscal Constitution*. Cambridge University Press, Cambridge.
- Builsa North District Assembly (2010). *Annual Statements of Accounts (2010-2015)*. Sandema
- Builsa North District Assembly (2014). *District Medium Term Development Plan (2014-2017)*. Sandema
- Builsa North District Assembly (2014). *District Composite Budget*. Sandema
- Cities Alliance (2007). *Understanding Your Local Economy: A Resource Guide for Cities*. USA.
- Conyers, D. (1990). *Centralisation and Development Planning: a Comparative Perspective, Is Decentralising for participatory Planning?* Edited by P. de Valk and K. Wekwete, Aldershot: Avebury

- Crawford, G. (2008). Decentralization and the Limits to Poverty Reduction: Findings from Ghana. *Oxford Development Studies*, Vol. 36, No. 2
- Crawford, G. (2010). Decentralization and struggles for basic rights in Ghana: opportunities and constraints. *The International Journal of Human Rights*, 14:1, 92-125
- Creswell, J. W. (2009). *Research Design –Qualitative and Mixed Methods Approaches-Third Edition*. Thousand Oaks: Sage Publication.
- Crook, C. R. (2003). Decentralization and Poverty Reduction in Africa: The Politics of Local–Central Relations. *Public Administration Development*. 23, 77–88
- Crook, R. C. (2003). Decentralization and poverty reduction in Africa: the politics of local-central relations. *Public Administration and Development*, 23, pp. 77–88.
- DFID (2008). *Growth, building jobs and prosperity in developing countries*. Department for International Development. Great Britain.
- District Assemblies Common Fund (2014). Guidelines for the utilization of the DACF for 2014 fiscal year. Accra
- District Assemblies Common Fund (2015). *Impact Assessment Report*. Accra
- District Assemblies Common Fund (2016). Guidelines for the utilization of the DACF for 2016 fiscal year. Accra
- Ebner, A. (2005). Entrepreneurship and Economic Development. *Journal of Economic Studies*. Vol. 32 Iss 3pp. 256-274
- Ghana Living Standard Survey Round 6 (2014). *Labour Force Report*. Ghana Statistical Services, Ghana
- Ghana Statistical Service (2010). *Population and Housing Census. Builsa North District Analytical Report*. GSS, Ghana

- Ghaus-Pasha, A., Pasha, H. A. and Khan, A. H. (2000). Devolution and Fiscal Decentralization. *Pakistan Development Review*, Vol. 39, No. 4, Part II, pp. 981-1011
- Habibi, N., Huang, C., Miranda, D., Murillo, V., Ranis, G., Sarkar, M., and Stewart, F. (2003). Decentralization and Human Development in Argentina. *Journal of Human Development*, 4:1, 73-101
- Hammond, W. G. & Tosun, S. M. (2009). The Impact of Local Decentralization on Economic Growth: Evidence from U.S. Counties. *Discussion Paper No. 4574*
- Han, L. & Kung, K. J. (2015). Fiscal incentives and policy choices of local governments: Evidence from China. *Journal of Development Economics* 116, 89–104
- Helmsing, A. H. J. (2001). *Local Economic Development: New generations of actors, policies and instruments for Africa. A Summary Report Prepared for the UNCDF Symposium on Decentralization Local Governance in Africa. Draft Papers for the 2001 Cape Town Symposium. Cape Town*
- Helmsing, A. H. J. (2003). Local economic development: New generations of actors, policies and instruments for Africa. *Public Administration and Development* 23(1): 67-76.
- ILGS, (2010). *A Guide to District Assemblies in Ghana*: published by Friedrich-Ebert-Stiftung Ghana.
- Im, T. (2010). Does Decentralization Reform Always Increase Economic Growth? A Cross Country Comparison of the Performance. *International Journal of Public Administration*, 33:10, 508-520,
- Jia, J., Guo, Q., & Zhang, J. (2014). Fiscal Decentralization and local expenditure policy in China, *China Economic Review* 28, 107–122

- Kwakye, P. (2013). *Democracy and Economic Growth in Ghana*: Master's Thesis. (Accessed from <http://ugspace.ug.edu.gh> on 8/12/2015)
- Lawrence, F. & Hadingham, T. (2008). Decentralization and the challenge of institutionalising local economic development: Some practical insights from the South African experience, *@local. glob 5*. 41–5.
- Lin, J. Y. & Liu, Z. (2000). Fiscal Decentralization and Economic Growth in China: *Economic Development and Cultural Change, Vol. 49, No. 1, pp. 1-21*
- Liou, K. T. (2009). Local Economic Development in China and the United States: Strategies and Issues. *Public Administration Review, Vol. 69, Supplement to Volume 69: Comparative Chinese/ American Public Administration, pp. S29-S37*
- Local Government Act, Act 462 of 1993
- Martinez-Vazquez, J., Lago-Penas, S. & Sacchi, A. (2015). The Impact of Fiscal Decentralization: A Survey. *GEN Working Paper A – 5*
- Mensah, J. K., Domfeh, K. A., Ahenkan, A. & Bawole, J. N. (2013). Policy and Institutional Perspectives on Local Economic Development in Africa: The Ghanaian Perspective. *Journal of African Studies and Development. Vol.5 (7), p. 163-170.*
- Midgley, J. & Livermore, M. (1998). Social Capital and Local Economic Development: Implications for Community Social Work Practice. *Journal of Community Practice, 5:1-2, 29-40*
- Miles, M. B. & Huberman, A. M. (1994). *An Expanded Sourcebook Qualitative Data Analysis*. Sage Publications.
- Ministry of Local Government and Rural Development (2010). Draft Decentralization Policy Framework: Accelerating Decentralization and local Governance for National Development.

- Moche, T. J., Monkam, N. & Aye, C. G. (2014). Fiscal Decentralization and Poverty in South Africa: Evidence from panel data analysis, *Investment Management and financial innovations, volume 11, issue 2*.
- Nkrumah, S. A. (2000). Decentralization for good governance and development: The Ghanaian experience. In Crawford, G. (2008). Decentralization and the Limits to Poverty Reduction: Findings from Ghana. *Oxford Development Studies, Vol. 36, No. 2*
- Oates, W. (1972). *Fiscal Federalism. Harcourt-Brace*, New York. Chapter five.
- Oates, W. (1993). Fiscal Decentralization and Economic Development: *National Tax Journal*, XLVI, 237–243.
- Oates, W. (1993). The Role of Fiscal Decentralization in Local Economic Development. *National Tax Journal, Vol. XLVI, No. 2*.
- Oates, W. (2005). Toward a Second-Generation Theory of Fiscal Federalism. *International Tax and Public Finance, 12, 349–373*.
- Oduro, A. D. (2001). A note on public expenditure and poverty reduction in Ghana. *Revised version of the paper presented at a workshop on Microeconomic stability, growth and poverty reduction in Ghana*. Centre for Policy Analysis.
- Ogawa, H. & Yakita, S. (2009). Equalization Transfers, Fiscal Decentralization, and Economic Growth”: *Finanz Archiv /Public Finance Analysis, Vol. 65, No. 1, pp. 122-140*
- Patterson, C. (2008). Country report on local economic development in South Africa. *Report prepared for GTZ (German Technical Cooperation), Strengthening Local Governance Programme in South Africa*, Pretoria.
- Patton, M. Q. (2002). *Qualitative Research and Evaluation Methods, Third Edition*. Thousand Oaks: Sage Publications.

- Porcelli, F. (2009). *Fiscal Decentralization and Efficiency of Government*. A brief Literature Review. Department of Economics, University of Warwick, UK
- Prud'homme, R. (1995). The dangers of decentralization. In Smoke (2003) *Decentralization in Africa. Goals, Dimensions, Myths. Journal of Public Admin and Development*. 23, pp. 7–16.
- Rambanapasi, C. O. (1992). A Review of the Main Determinants and Characteristics of Centre-Local Relations in Zimbabwe. *International Journal of Public Administration*, 15, pp.1397-1439; United Nations Development Programme. *Human Development Report 1993' Oxford University Press* (for the World Bank): New York, 1993.
- Rees, J. C. & Hossain, F. (2010). Perspectives on Decentralization and Local Governance in Developing and Transitional Countries. *International Journal of Public Administration*, 33:12-13, 581-587
- Rodden, J. (2003). Reviving Leviathan: Fiscal Federalism and the Growth of Government. *International Organization*, 57(4):695–729.
- Rodriguez-Pose, A. & Tijmstra, S. (2009). On the Emergence and Significance of Local Economic Development Strategies. *CAF Working Paper N° 2009/07*
- Rodriguez-Pose, A. & Bwire, A. (2004). The Inefficiency of Devolution. *Environment and Planning A* 36(11) 1907-1928.
- Rodriguez-Pose, A. & Kroijer, A. (2009). Fiscal Decentralization and Economic Growth in Central and Eastern Europe. *LEQS Paper No. 12*.
- Rodriguez-Pose, A., & Tijmstra, S. (2007). *Local Economic Development as an Alternative Approach to Economic Development in Sub-Saharan Africa*. A report for the World Bank, World Bank.

- Rodriguez-Pose, A., & Tijmstra, S. (2009). On the Emergence and Significance of Local Economic Development Strategies. *CAF Working Paper, CAF*. 7.
- Rogerson, C. M. (1999). Local Economic Development and Urban Poverty Alleviation. The Experience of Post-Apartheid South Africa. *Habitat International* 23(4): 511-534.
- Rogerson, C. M. (2008). Consolidating local economic development in South Africa. *Urban Forum* 19, 307–28.
- Rogerson, C. M. (2010a). In search of public–private sector partnerships for local economic development in South Africa. *Urban Forum* 20, *in press*.
- Rogerson, C. M. (2010b). Local economic development in South Africa: strategic challenges. *Development Southern Africa* 27(4): 481-495.
- Rogerson, C. M. (2014). Reframing place-based economic development in South Africa: The example of local economic development, *Bulletin of Geography. Socio–economic Series No. 24*: 203–218.
- Rogerson, C. M., & Rogerson, J. M. (2010). Local Economic Development in Africa. Global Context and Research Directions. *Development Southern Africa* 27(4): 465-480.
- Rogerson, C. M., (2014). Reframing place-based economic development in South Africa: The Example of Local Economic Development. In: Szymanska, D. and Bieganska, J. (Ed.), *Bulletin of Geography. Socio-economic Series, No. 24*, Torun: Nicolaus Copernicus University Press, pp. 203-218.
- Rondinelli, D. A., & Nellis, J. R. (1986). Assessing decentralization policies in developing countries: The case for cautious optimism. In Rees and Hossain (2010) Perspectives on Decentralization and Local Governance in Developing and Transitional Countries. *International Journal of Public Administration*, 33:12-13, 581-587
- Sacchi, A. & Salotti, S. (2014). The Effects of Fiscal Decentralization on Household income inequality: Some empirical evidence: *Spatial Economic Analysis, Vol.9, No.2*, 202-222

- Sakyi, E. K., Azunu, R., & Bawole, J. N. (2011). *Does Decentralization Lead to Improvement in Planning of Health Services? Findings from Six District Health Administrations in Ghana*. Accessed from www.ugspace.ug.edu.gh. On 28th December, 2015
- Scott, Z. (2009). Decentralization, Local Development and Social Cohesion: An Analytical Review, *GSDRC Research Paper*.
- Shin, R. (2001). Strategies for Economic Development under Decentralization: A Transformation of the Political Economy. *International Journal of Public Administration*, 24:10, 1083-1102.
- Sjostrom, M. (2010). *Evaluating the Economic Role of BC Local Governments. A Snapshot of Community Effort and Opportunity*. Victoria, Union of British Columbia Municipalities.
- Smoke, P. (2003). Decentralization in Africa: Goals, Dimensions, Myths and Challenges. *Journal of Public Administration and Development*. 23, pp. 7–16.
- Sosin, M. R. (2012). Decentralization, Devolution, Financial Shortfalls, and State Priorities in Service Programmes in the Early 2000s: *Journal of Public Administration Research and Theory* 22: 701-730.
- Stren, R. & Gombay, C. (1994). *The alleviation of urban poverty at the municipal level: a review of the literature*. Unpublished Report for the Urban Management Programme, UNCHS (Habitat).
- The 1992 Constitution of Ghana
- The Ghana Statistical Service (2005). Ghana population Data Analysis. *Report Vol. 2*
- Tiebout, C. M. (1956). A Pure Theory of Local Expenditures. *The Journal of Political Economy*, 64(5):416–424. Chicago.

- Tosun, M. S. & Yilmaz, S. (2010). Decentralization, Economic Development, and Growth in Turkish Provinces. *Emerging Markets Finance and Trade*, 46:4, 71-91.
- Townroe, P. M. (1979). The Design of Local Economic Development Policies. *The Town Planning Review*, Vol. 50, No. 2, pp. 148-163.
- Treisman, D. (2006). Explaining Fiscal Decentralization: Geography, Colonial History, Economic Development and Political Institutions: *Commonwealth & Comparative Politics* Vol. 44, No. 3, 289–325.
- United Nations (2010). United Nations Millennium Campaign Strategy.
- Vanderschueren, F., Wegelin, E. & Wekwete, K. (1996). Policy programme options for urban poverty reduction. *Policy Paper No. 20*, Urban Management Programme, World Bank, Washington DC.
- Vazquez-Barguero, A. (2002). *Endogenous Development: Networking, Innovation, Institutions and Cities*. Routledge publishing company, London
- Wekwete, K (2014). Local Governments and Local Economic Development in South Africa. *Commonwealth Local Government Forum*. South Africa.
- Wong, C. (2002). Developing Indicators to Inform Local Economic development in England. *Urban Studies*, Vol. 39, No. 10, 1833–1863, 2002
- Xie, D., Zou, H. & Davoodi, H. (1999). Fiscal Decentralization and Economic Growth in the United States. *Journal of Urban Economics* 45, 228–239.
- Yamoah, A. B. (2007). The Effects of Fiscal Decentralization on Economic Growth in U.S. Counties. *Dissertation*.
- Yin, R. K. (1984). *Case study research: Design and Methods*. Beverly Hills. SAGE Publications.

- Yin, R. K. (1994). *Case Study Research, Design Methods*, 2nd Edition. In Boateng, R. (2014) *Research Made Easy*. 1Ed. PearlRichards Foundation. Accra, Ghana.
- Yin, R. K. (2003). *Case Study Research: Design and Methods (3rd edition, volume 5)*. London: Stage Publications.
- Zhang, T. & Zou, H. (1998). Fiscal Decentralization, public spending, and economic growth in China. *Journal of Public Economics*, 67, 221–240.



APPENDICES

APPENDIX ONE

Structured Questionnaire

University of Ghana

Research Questionnaire

I am undertaking a study, which seeks to examine “fiscal decentralization and local economic development in Builsa North District”. This study is being conducted as part of my studies towards Master’s Degree Programme in Public Administration. Results from this study will be used primarily for research purposes and your responses will be treated confidentially.

I greatly appreciate your co-operation.

You can tick () or provide your response in writing where applicable.

Section One: Biodata

1. Sex (a) Male (b) Female
2. What is your age? (a) 15-25yrs (b) 26-35yrs (c) 36-45yrs (d) 46 -55yrs (e) 56-65yrs (f) 66+
3. How long have you stayed in this District (a) 0-1 year (b) 2-5years (c) over 5years
4. Level of education (a) Uneducated (b) Primary education (c) JHS (D) SHS (e) Tertiary (f) Non-formal

Section Two: Fiscal Decentralization

5. What are the main sources of revenue to the Assembly.....
.....
.....
6. What is the extent of fiscal decentralization in the district with respect to revenue generation, expenditure and fiscal autonomy as shown in the table below;

Select by ticking the options from the scale of 1 for poor to 4 for excellent

Question	Poor	Fair	Good	Excellent
a. Are the revenue sources viable				
b. Is the revenue generated enough to meet LED				
c. The Assembly's capacity to generate revenue				
d. Is IGF used for LED				
e. Does central government control the revenue and expenditure of the Assembly				

Section Three: Local Economic Development

7. What factors contribute to LED

.....

.....

.....

.....

8. To what extent has fiscal transfers and revenue to the assembly contributed to the development of the following areas in the district?

Select by ticking the options from the scale of 1 for poor to 4 for excellent

	Poor	Fair	Good	Excellent
Question	1	2	3	4
a. The provision of school infrastructure				
b. The present availability of Teachers				
c. Education as a priority in the district				
d. Access to health services in the District				
e. The present availability of health facilities (hospitals/ clinics)				

9. a). What is your view about the future growth of businesses in the District?
 (a) Optimistic (b) Pessimistic

b). Reasons.....

.....

10. With respect to District Assemblies' contribution towards micro and small enterprise development, how would you rate the performance of the Builsa North District Assembly in the following areas?

Item	Poor	Fair	Good	Excellent
a. Entrepreneurial and managerial training for MSE operators				
b. Provision of road infrastructure				
c. Business licensing or granting of operating permits				
d. Electricity supply				
e. Water supply				
f. Telecommunication				
g. Disposal of industrial solid waste				
h. Establishment of industrial zones or business centres				
i. Provision of market infrastructure				
j. Promoting dialogue with the business community				
k. Provision of financial services to MSEs				
l. Tax administration				

11. With respect to District Development planning and management, how would you rate the involvement or participation of MSE operators in the following areas?

Activity	Poor	Fair	Good	Excellent
a. Community diagnosis				
b. Preparation of community action plans				
c. Public hearing on draft district development plans				
d. Fee fixing resolution				
e. Local economic development platforms				

f. Local economic development Action planning session				
g. Implementation of local economic development action plans				

Section Four: Constraints of LED

12. What are the main challenges faced by the Assembly in implementing LED (a) Funds (b) Skilled Personnel (c) Strategies/ plans (d) lack of cooperation (e) Others please specify.....

.....

13. State three key factors that constrain local enterprise growth and development in the District.

.....

14. What socio-cultural factors constrain business development in the district?

.....

15. How does each of these socio-cultural factors constrain business development in the district?

.....

16. What socio-cultural factors enable business development in the district?

.....

17. How do those factors identified in 17 above promote business development?.....

.....

18. State three enabling factors for local enterprise growth and development in the district

.....

19. With your experience in business, assess the general environment for doing business in your district. (a) Poor (b) Fair (c) Good (d) Excellent

Part Five: Actors of LED and Their Roles

20. Who is/are the agent(s) of the programme in the District? (a). District Assembly (b) NGO (c)Rural Enterprise Unit (d)Individuals (e) Other.....

21. Mention some actors and/or organizations involved in the LED activities.....

.....

22. Please rate the contribution of the following departments or organisations to the growth and development of micro and small enterprises in your district.

Organisation/ Institutions	Poor	Fair	Good	Excellent
a. District planning and coordinating unit (DPCU)				
b. National Board for small –scale industries				
c. Department of community development				
d. NGOs				
e. Ministry of food and Agriculture				
f. Other (specify)				

23. Please using a scale of 1 -poor, 2- fair, 3 -good, 4-excellent; rank the following institutions against the major activities.

Institutions	Capacity building/ Training	Infrastructure provision	Financial support to SMEs	Technical support to SME
a. District Assembly				
b. NGOs				
c. Individuals				

24. How has the content met the needs of the beneficiaries (a) Created employment (b) Built capacity of local people (c) Reduced Poverty/Unemployment (d) Improved infrastructure (road network, schools, clinics, water etc.) (e) Manufacturing of local commodity

25. What development projects have been initiated since LED programme/policies were introduced? (a) Schools (b) market structures (c) roads (d) local Skills training (e) Other.....

26. What roles does the assembly play in contributing to LED?

.....
.....
.....
.....
.....



APPENDIX TWO

Interview Guide

Interview Guide for Local Staff and Participants in LED Programme

FD

1. How is the current state of fiscal decentralization in Ghana?
2. What are the factors militating against effective implementation of fiscal decentralization in Ghana?
3. Does the Assembly depend on their own generated revenue?
4. How autonomous is the Assembly in taking fiscal policies?

LED

5. Do Government transfers have any impact on education, health, markets, roads, local enterprise development? If yes, in what ways?
6. What are the interventions in relation to fiscal transfers within the district that enhances enrolment, Health delivery, capacity building, and businesses?
7. Does FD have any impact on employment (Creation of jobs) in the District? Name them
8. What are the major activities engaged in by the Assembly to create jobs for the people within the district?
9. What are the major activities of the assembly that promote local enterprises?
10. What can be done in the short to medium term with local resources to promote growth and competitiveness of the actors, economic sectors and the local economy as a whole?

Constrains

11. What challenges/constraints do the Assembly encounter in promoting LED Programmes?

APPENDIX THREE

Flowchart of the search on fiscal decentralization and LED

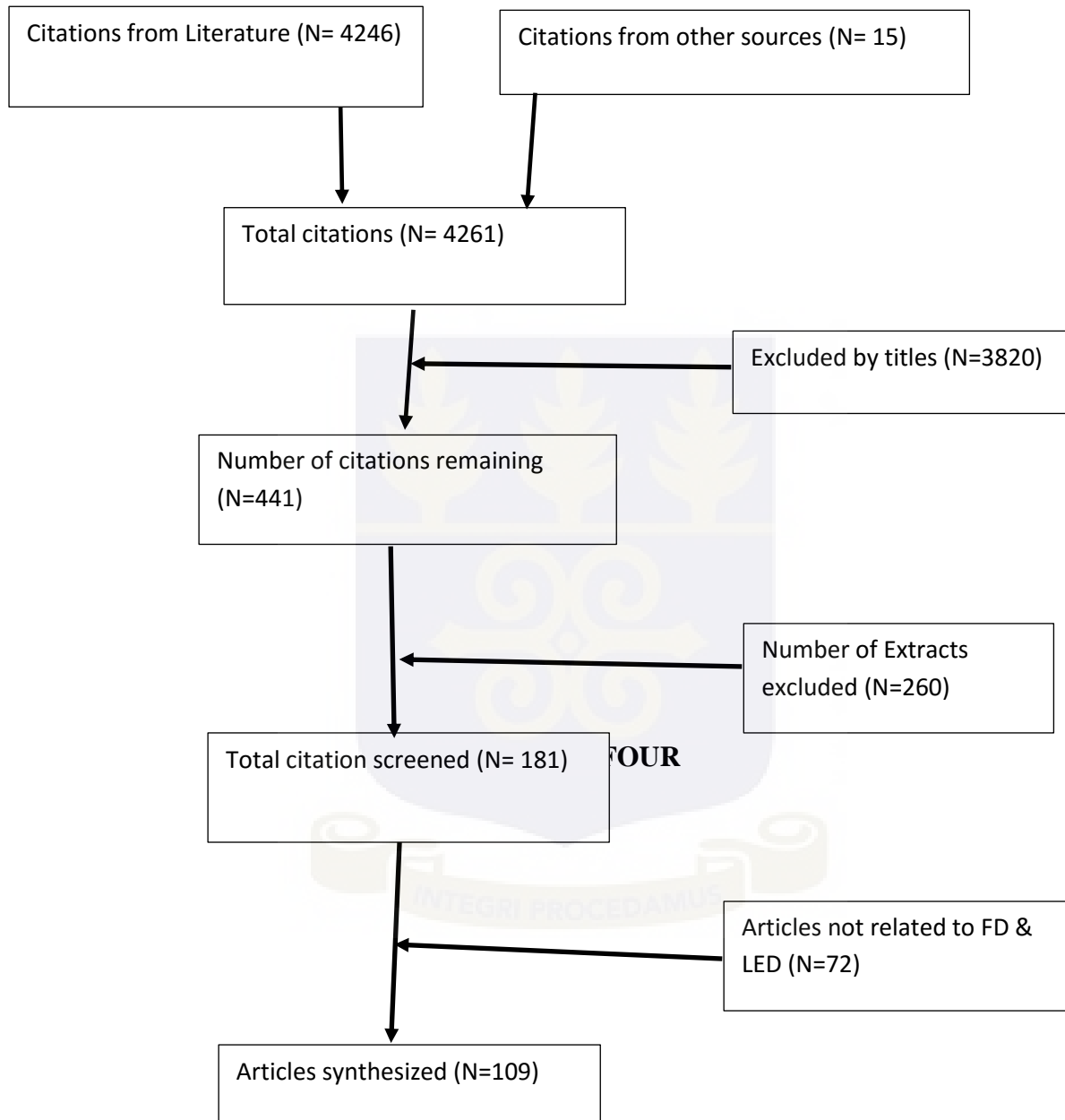


Table of Sub-Metropolitan Councils

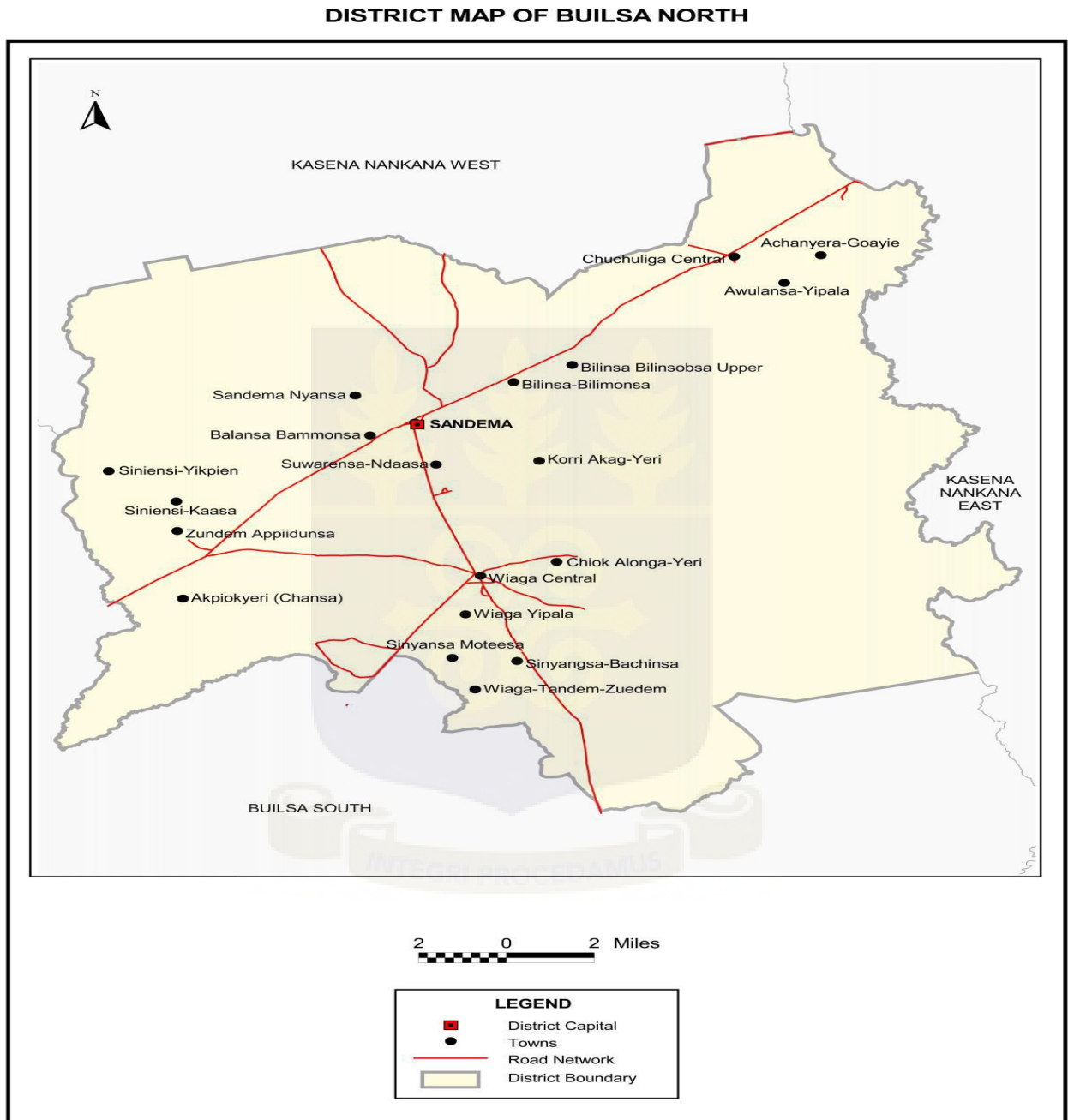
Sub-Metropolitan District Council under Respective Metropolitan Assemblies					
Accra Metro Assembly	Kumasi Metro Assembly	Secondi – Takoradi Metro Assembly	Tema Metro Assembly	Tamale Metro Assembly	Cape Coast Metro Assembly
11	10	4	3	3	2
Okaikoi South	Asokwa	Sekondi	Tema West	Tamale central	Cape Coast South
Okaikoi North	Bantama	Takoradi	Tema East	Tamale North	Cape Coast North
Ashiedu Keteke	Manhyia	Effiakwasimintsim	Kppone-Katamanso	Tamale South	
Ablekuma North	Subin	EssikadoKentan			
Ablekuma South	Oforikrom				
Ayawaso Central	Tafo-Pankrono				
Ayawaso East	Nhyiaeso				
Ayawaso West	Kwadaso				
AbosseyOkai	Suame				
La	Asawase				
Osu Clottey					

Source: Compiled from Composite Budgets of AMA, KMA, STMA, TMA, TAMA, CCMA

(2014)

APPENDIX FIVE

Figure 3.1. Map of Builsa North District



Source: GSS, 2010