

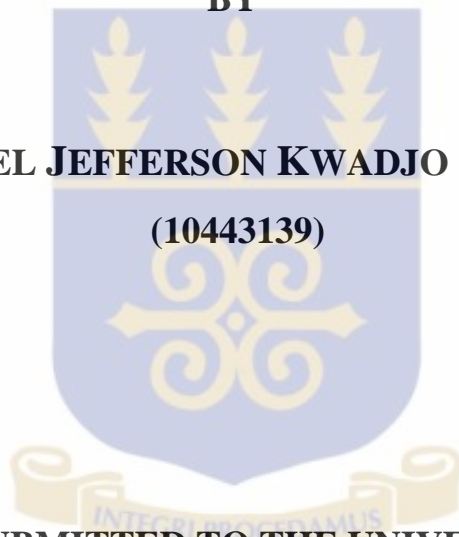
UNIVERSITY OF GHANA

THE IMPACT OF FISCAL DECENTRALISATION ON LOCAL ECONOMIC DEVELOPMENT IN GHANA: A CASE STUDY OF KETU SOUTH MUNICIPAL ASSEMBLY (KSMA)

BY

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

JULY, 2015

DECLARATION

I **EMMANUEL JEFFERSON KWADJO ZUMEGAH** hereby declare that this thesis is my own academic research work towards the award of a master of philosophy degree in Public Administration and that no part of this work has been presented or published. All references used in this work has been fully acknowledged. I therefore take full responsibility for any omissions and commissions herein.



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CERTIFICATION

I hereby certify that this thesis was supervised in accordance with procedures laid down by the academic board of the University of Ghana, Legon.



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DATE

DEDICATION.

To my wife-Mrs. Evelyn Dzifa Melody Zumegah, my kids and to God Almighty



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The highest form of academic dishonesty I could reach is to assume that the entire work of this thesis is as a result of my individual strength. This thesis has been a solid team work between me and my affable supervisor. I express my sincerest gratitude to Dr. Kwame Asamoah for his direction, encouragement, tutorship and supervision. You have helped in incorporating new ideas and sharing experiences with me. I have in you a role model for life and am so grateful, Sir.

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LIST OF ABBREVIATIONS

AAP	Annual Action Plan
AAPAM	African Association for Public Administration and Management
AGD	Auditor Generals Department
AMA	Accra Metropolitan Assembly
CAGD	Controller and Accountant Generals Department
CBOs	Community-based Organizations
CBRPD	Community Based Rural Development Project
CIDA	Canadian International Development Agency
CSOs	Civil Society Organizations
DA	District Assembly
DACF	District Assemblies Common Fund
DACFS	District Assemblies Common Funds Secretariat
DANIDA	Danish International Development Agency
DBC	District Budget Committee
MBO	Municipal Budget Officer
MDF	Municipal Development Fund
MFO	Municipal Finance Officer
DFID	Development Finance Institutions Department
DMTDP	District Assembly Medium Term Development Plan
DPCU	District Planning and Coordinating Unit
MPO	Municipal Planning Officer
EU	European Union

FA	Finance and Administration
FD	Fiscal Decentralisation
FOAT	Functional and Organizational Assessment Tool
GDP	Gross Domestic Product
GETFUND	Ghana Education Trust Fund
GoG	Government of Ghana
GPRS	Ghana Poverty Reduction Strategy
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
GSGDA	Ghana Shared Growth Development Agenda
HIPC	Highly Indebted Poor Country
IAA	Internal Audit Agency
IGF	Internally Generated Fund
ILGS	Institute of Local Government Studies
IRS	Indirect Rule System
JICA	Japan International Cooperation Agency
JRPEFM	Joint Review of Public Expenditure and Financial Management
KOICA	Korea International Cooperation Agency
KSMA	Ketu South Municipal Assembly
LGSS	Local Government Service Secretariat
LED	Local Economic Development
LI	Legislative Instrument
MDAs	Ministries, Departments and Agencies
MLGRD	Ministry of Local Government and Rural Development

MMDAs	Metropolitan Municipal and District Assemblies
MMYE	Ministry of Manpower, Youth and Employment
MOFEP	Ministry of Finance and Economic Planning
MTDP	Medium Term Development Plan
MTEF	Medium Term Expenditure Framework
NDPC	National Development Planning Commission
NGO	Non-Governmental Organizations PM Presiding Member
NBSSI	National Board on Small Scale Industries
PARDIC	Public Administration Restructuring and Decentralisation Implementation Committee.
PM	Presiding Member
PMME	Performance Management, Monitoring and Evaluation
PNDC	Provisional National Defense Council
PWD	Public Work Department
RCC	Regional Coordinating Councils
RPCU	Regional Planning and Coordinating Unit
SDSs	Sub-district Structures
UCLGA	United Cities and Local Governments of Africa
UN	United Nations
USAID	United States Agency for International Development

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ABSTRACT

The relationship between fiscal decentralisation and local economic development has been a subject of particular interest to most scholars of public administration and development economists. Improving public good and service delivery is one of the predominant challenges facing governments worldwide, especially how it impacts on the general economic development of the poor and the vulnerable in society. Fiscal decentralisation is largely accepted as a tool for poverty reduction and rural development leading to local economic development. However, fiscal decentralisation is not an end in itself but a means to an end. Local economic development on the other hand is the approach to development that allows local resources, natural, financial and or human resource to be harnessed in a way that delivers sustainable growth to improving the standard and quality of lives of the local people.

This thesis examined the impact of fiscal decentralisation on local economic development in Ghana, evidence from the Ketu South Municipal Assembly (KSMA). The case study research design was used and the qualitative research method was adopted to collect and analyze data from twenty-five (25) respondents. Primary data was collected from respondents including the Fiscal Decentralisation Unit (FDU) of the Ministry of Finance (MoF).

Data was analyzed using Miles and Huberman (1984) method of qualitative data analysis. The study identified that the current structure and practice of fiscal decentralisation in KSMA is slightly different from what the Local Government Act 462 advocates and the major factors impeding the effective fiscal decentralisation are inadequate reliable database on the revenue points within the assembly, logistics for IGF mobilization, challenges with human resources, and attitudinal problem on the part of local residents towards payment of taxes. The result further showed that all things being equal, an effective fiscal decentralisation would lead to an improved local economic development. This research therefore confirmed the consensus in the literature that fiscal decentralisation impacts local economic development. This impact could either be positive or negative depending on how it is influenced by structures such as effective community participation, availability of local resources, and local capacity to maximize these resources. It was recommended that government release the DACF is released on time to help KSMA to effectively improve the local economic development of the citizenry. This would enable the districts to as part of its development drive, focus on sustainable livelihood creating opportunities in the form of capacity building and jobs for the local residents rather than just focusing on the building of physical structures only.

CHAPTER ONE

1.0 GENERAL INTRODUCTION

1.1 Introduction

This chapter gives the general background and introduction to the study. This chapter has been arranged under some major headings including background to the study, problem statement, and objectives to the study. Additional issues discussed are significance of the study, the scope of the study and the limitations and delimitations of the study. The study seeks to examine the impact of fiscal decentralization on economic development within the Ghanaian context, specifically, using evidence from the Ketu South Municipal Assembly.

1.2 Background of the Study

In recent times, the relationship between fiscal decentralization and local economic development has been a subject of a particular interest to most scholars of public administration and development economists. Improving public good and service delivery is one of the predominant challenges facing governments worldwide especially how it impacts on the general economic development. The quality and effectiveness of service delivery is influenced by how the operations of central governments is decentralized (Lavigne, 2010) and the ability of these sub-national bodies to be able to generate and mobilize resources in order to bring about the much needed local economic development (Goldstein, 1979).

This study seeks to focus attention on how fiscal decentralization could be used to improve the local economic development within the Ketu South Municipal Assembly.

Fiscal decentralisation is the transfer of the power to tax, mobilize revenue and allow the subnational organization autonomy to spend into areas of local preference. Fiscal decentralisation is often presented as a *sine qua non* of rural development but according to Oates, (1985); Craig (2001); Rodrigues-Pose & Kroijer (2009), there is little evidence to prove that fiscal decentralization reduces poverty in rural areas and indeed there is evidence that it is counter-productive. These scholars, argued that, fiscal decentralisation may more likely lead to development disparities across regions and increasing inequality within regions. This is because the problem of capacity and effective participation is more acute in rural districts than in urban districts. This is further compounded by the unwillingness of urban areas to subsidize lagging areas because the elite do not want the quality of their lives to be affected at the expense of improving the welfare of the poor people.

Therefore, in examining the impact of fiscal decentralisation on local economic development in the Ketu South Municipal Assembly, the composition of the population within the area is critical. The local preference of the people in terms of development is essential and must go beyond any other preference whether from central government or from local government officials.

For fiscal decentralisation to achieve its intended purpose, inputs and incomes must be monitored to ensure that the intended targets and goals of the projects are achieved (Rodriguez-Pose & Ezcurra, 2010). Research has shown that implementation of plans and effective monitoring and supervision of resource allocation and accountability is a problem in Ghana (Ofei-Aboagye, 2011). Fiscal decentralisation has the potential to ensure a more equitable distribution of resources due to local competitiveness and attention on critical local preferences (Oates, 1995; Rodriguez-Pose and Ezcurra, 2010). Oates in his earlier studies on the impact of fiscal decentralisation and economic

growth has found no relationship between fiscal decentralisation and rural development (Oates, 1985) but in his later researches, have found a positive relationship between fiscal decentralisation and development. This means that by extension, holding all factors constant, more resources available to a local authority should result in a more development and the creation of job opportunities.

Fiscal decentralisation, nevertheless, is not only a question of reassigning resources to the different levels of local government. The allocation and transfer of resources are as important as being accountable for its use judiciously. Therefore, the use and management of devolved financial resources, provision of local services, ability to raise the level of local taxes and revenues sources and the effectiveness of intergovernmental transfers all affect local economic development. Apart from these revenue sources, sub-national bodies must have the power to borrow in order to finance revenue shortfalls such that they can be able to deliver essential goods and services to the local people (Osae, 2009).

In the 21st century, the economic performance of Ghana has been largely influenced by what happens in the world's market place. According to Stansel (2005), local economic development is the ability of a local area to mobilize the available resources in order to stimulate growth necessary to create jobs that would lead to the improvement in the quality of lives of the people. Best practices of fiscal decentralisation in countries such as Norway, USA, and France among other developed nations have a very efficient approach to financing local authorities in their country (Shah, 2006). Local authorities must therefore be well-resourced capacity wise to be able to mobilise and better spend these resources to the benefit of all and sundry. Wibowo (2011) in a

study conducted in Indonesia has empirically confirmed that fiscal decentralization has contributed immensely to the growing middle class in that country. He continued to intimate that for an improved delivery of public goods and services, the issues of funding cannot be overemphasized. This shows the importance of the role of both internal and intergovernmental sources of funding in creating a vibrant local economy in a particular area.

However, it seems unclear as to whether fiscal decentralisation automatically improves the quality of socio- economic welfare of the individuals or other underlying factors such as level of autonomy, corruption, strong institutions and strategic leadership contributes in ensuring that. Nevertheless, it is easier for the local authorities and institutions that are closer to the local areas to identify relevant areas and priorities for competitiveness and effective service delivery (Charbit, 2011) that has the potential to improve their living standards. According to Akhmouch (2011), there must also be mutual interdependence for effective and efficient service delivery between the central government and local government institutions. It is therefore imperative to examine the current structure of financing local governments in Ghana and to establish the relationship between fiscal decentralization and local economic development whiles scrutinizing factors inhibiting the effective practice of fiscal decentralization in Ghana.

1.3 Problem Statement

Funding activities of both central governments and local governments have been a global challenge and fiscal decentralisation is very critical to a successful delivery and implementation of government policies and programs globally especially at the local level (World Bank, 2012; IMF, 2009; Ocran, 2011; OECD, 2011b). Internally generated funds and the intergovernmental transfers

are the most important sources of funding local governments' activities (Ahmad, et al., 2005; Ahwoi, 2010; Ahwoi, 2011; Alam, 2011b; Asante, 2011) but this however has made local authorities to be less aggressive and over relying on the national governments for funding especially in the developing countries. Local economic development is about mobilising local resources to stimulate and sustain growth that could result in the improvement in the quality of lives of the local residents.

The quality and effectiveness of service delivery of local economic development is dependent on the size, free and timely flow of funds which could be both mandatory and or arbitrary based on particular jurisdictions (Boachie-Danquah, 2011a; Bodman & Hodge, 2010). Empowering local authorities to raise more funds locally can aid tremendous development (Rondinelli, 1983; Shah, 2006; Davey, 2011; Yuliani, 2013). Whiles Oates (1972; 1985), Rodriguez-Pose & Kroijer, (2009) have proven empirically that there is in fact a negative correlation between fiscal decentralization and economic development, Oates (1995); Akai & Sakata (2002); Cobbah, 2011; Davoodi & Zou, 1998; Samimi, et al., (2010) recognize that there is a positive correlation between fiscal decentralization and economic development. Oates, Davoodi & Zou and Rodriguez-Pose are key researchers into fiscal decentralisation that have found both negative and positive relationship and indeed sometimes no link between fiscal decentralisation and economic developments in various studies.

Whiles there has been some research work on the general impact of fiscal decentralization on economic growth (Stansel, 2005; Akai and Sakata, 2002; Davoodi and Zou, 1998; Feld, Zimmermann and Doring, 2004; Ocran, 2011; Rodriguez-Pose & Kroijer, 2009; Xie, Zou and

Davoodi, 1999), little has been done on the impact of fiscal decentralization on local economic development. Even those research works that study local economic development were mostly done in the western world (Blakely 1989; Blakely and Bradshaw, 2002; Davis and Rylance, 2004; Goldstein, 1979) and those done on the developing world were either in Latin America or South Africa (Gomez and Hemsing, 2008; Rogersona, 2006a; Recker and Trah, 2007) leaving the vast area in Sub-Saharan Africa for research. Therefore it is refreshing to note that this research work was carried out within the context of Sub-Saharan Africa, specifically Ghana.

Ketu South is predominantly, a rural community with few urban areas. It is therefore important to examine how the practice of fiscal decentralisation is aiding the assembly to improve service delivery and local economic development. It also looked at how local governments are promoting the development of the local economy to encourage job creation and improvement in the quality of lives. It is therefore relevant to measure, access and examine the impact fiscal decentralisation is having on local economic development using data from one district within the bigger context of the national economy and using a qualitative method to understand in details the various dimensions to this phenomena.

1.4 Research Purpose

The purpose of this study is to examine the impact of fiscal decentralisation on local economic development in Ghana. This would scrutinize how the resources available to the local people is used effectively and efficiently to improve their quality of their life. The study uses KSMA as a case duty.

1.5 Research Objectives

The overall objective of this study is to investigate the impact of fiscal decentralisation on economic development. To achieve this, the specific objectives.

1. To examine the current structure of fiscal decentralisation in Ghana;
2. To study the underlying factors militating against effective fiscal decentralisation in Ghana
3. Examine the impact of fiscal decentralisation on local economic development in Ghana.

1.6 Research Questions

The Study will be underpinned by the following research questions

1. What is the current structure of fiscal decentralisation in Ghana?
2. What are the underlying factors and militating against fiscal decentralisation in Ghana?
3. What is the impact of fiscal decentralisation on local economic development in Ghana?

1.7 Significance of the Study

The significance of this research work can be viewed along three components: research, practice and policy. In terms of research, this research contributes to literature to fill the existing gaps on how an effective decentralisation could affect local economic development. This is relevant as it gives insight and extends the literature on the impact of fiscal decentralisation on local economic development especially in the area of local job creation and welfare.

Again, with reference to practice, the study made available information to policy makers, government and the citizenry especially in the benefits of improving fiscal decentralisation and its desirable impacts on economic developments. The quality of the daily lives of the people is affected more at the community level than on the national level. It is therefore, possible that fiscal decentralisation could be very effective without being efficient especially in the developing countries due to political patronage (Ahwoi, 2011).

Finally, the significance of fiscal decentralisation to policy would enable the study to offer valuable information that would guide future policy direction for consensus building and to empower local authorities to improve fiscal decentralisation so as to enhance economic development in the country.

1.8 Structure and Organization of the Study.

The study is divided into five chapters. The first chapter comprised the general introduction, background, statements and objectives of the study while the second chapter critically reviews literature regarding fiscal decentralisation, theories, conceptual framework and conceptualization of terms used in this thesis. Chapter Three focused on research methodology and data analysis used in the study. Chapter Four presented data and examined the analysis of results and discussions. Chapter Five consist of the summary of findings, recommendations, and conclusions. It also included limitations of the study and suggestions for further research.

1.9 Conclusion

Fiscal decentralisation is very critical to the growth and development of rural communities especially in the developing countries and its practice cannot be overemphasized. Local economic

development is a relatively new area and it is imperative to ensure that a study of this nature is conducted to confirm or contradict the assertion in the literature that fiscal decentralisation leads to economic development. This would also make available to government, critical non-governmental organizations and donor agencies about emerging challenges to the practice and attainment of fiscal decentralisation and how to overcome them especially in the developing world.

CHAPTER TWO

2.0 THEORETICAL AND EMPIRICAL LITERATURE REVIEW

2.1 Introduction

In this chapter, the relevant literature on the impact of fiscal decentralisation on economic development in Ghana would be critically reviewed. The major sub-themes are the concept of local government and fiscal decentralisation, economic growth and economic development, and relationship between fiscal decentralisation and local economy development. The theory and conceptual framework that were used to analyze data collected for this thesis would be well-discussed in this chapter. It would further summarize the functions of the local district authorities with regard to local economic development.

The purpose of the review is to use the literature to frame the research work and also critique the available literature on the topic and show the existing gaps in literature that need further research.

2.2 THE CONCEPT OF DECENTRALISATION AND FISCAL DECENTRALISATION.

Improving public goods and service delivery is one of the predominant challenges facing governments worldwide. The quality and effectiveness of the service delivery is influenced by how the operations of central government is decentralized and the ability of these sub-national bodies to be able to generate and to mobilize resources in order to deliver the needed services (Aye, 2012). The attention is on the decentralisation of funds, functions and representations that will make governance closer to the rural people and to engage them actively in decision-making (Ahwoi, 2010). Decentralisation is a very broad concept, and its feasibility in terms of process,

operation, practice and success must not be carried on a single case basis and one fit all (Alam, 2011a) but rather on a case specific basis bearing in mind environmental and institutional factors in order to aid local economic development with the long-term impact in mind (Rodriguez-Pose and Tijmstra, (2007))

Decentralisation in the context of local governance is defined as

'the transfer of responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide, regional or functional authorities, or non- governmental private or voluntary organizations' Rondinelli (1983: pp.1).

Decentralisation must be carefully analyzed before determining if projects or programs should support reorganization of financial, administrative, or service delivery systems. Decentralisation is the assignment of fiscal, political, and administrative responsibilities to lower levels of government (Ahwoi, 2010) in a prevalent but controversial institutional reform. According to Smith (1997), it refers to delegation or devolution of central state powers of policy making and decision taking to lower units of government. This involves the transfer of authority and responsibility for public functions from the central government to subordinate or quasi-independent government organizations and or the private sector.

This is because for decentralisation to be effective in order to achieve its intended purpose of poverty reduction and rural developments there should be a significant devolution of power and responsibility to sub-government units. Ahmed (2013) submitted that, the situation where functions and responsibility is devolved without corresponding legal frameworks and capacity in terms of personnel and finance to carry out these functions, then is not decentralisation at all.

Allocation and results must be monitored to ensure that the intended target and purposes of the projects are achieved (Oates, 1995). Decentralisation tends to focus primarily especially in developing countries on the political aspects which seek to stimulate the emergence of good governance, constrain sub-national ethnic conflict, promote democratic practices, facilitate the growth of civil societies, and increase the privatization of public sector tasks (Cunningham, and Meyer-Stamer, 2005). The concentration has since shifted to fiscal decentralisation which is the critically necessary stimulant of rural poverty reduction and improving local economic development (Ahwoi, 2011).

Local economic development is the most recent concern for fiscal decentralisation and a critical aspect of this is the role of local authorities in its achievement. Local economic development is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation (World Bank, 2003). Local development aims to stimulate the local economies to grow and create more jobs, by making better use of locally available resources (Helmsing, 2005). The rising importance of local economic development across sub-Saharan Africa is signaled by the activities of the United Cities and Local Governments of Africa (UCLGA) (Swinburn et al., 2007). Local economic development itself advances decentralisation and invariably fiscal decentralisation. Even though the practice started in cities of the Northern Europe and America during the late 1960s and early 1970s, its current adoption and practice is more relevant to the third world, especially in Africa because it is a tool to improve production and reduce the adverse effect of poverty on not only the citizenry but also the environment (Rodriguez-Pose, 2009). An active adoption and practice of local economic development make local institutions more transparent and accountable. For improvement in the

welfare and quality of lives of the people, governments and indeed sub-district structures should be more interested in project financing rather than funding.

Fiscal decentralisation allows resources to be allocated together with responsibilities. Fiscal decentralisation has both external and internal sources of funding as components. The formula and specific sources of generation and methods of revenue mobilisation differ from country to country depending on their history and tradition (Ayee, 2004). For example, there are special-purpose local government bodies and school districts and or school boards in the United States that are required to “deliver the deals” (Shah, 2006). Let us examine the three types of decentralisation, that is, fiscal decentralisation, political decentralisation and administrative decentralisation. While some researchers include devolution, decentralisation and delegations as types (Hossain, 2014), some other researchers classify them as forms of decentralisation (Ahwoi, 2010). The classification of decentralisation into the various categories allows us to examine the strengths and weaknesses of its practice in ensuring an effective service delivery to the local citizens. It also opens the argument to attempt to determine a more favorable form to deliver the much needed local economic development in the form of poverty reduction and growth.

2.2.1 Political Decentralisation.

Political decentralisation is basically the transfer of power and authority from the central government to sub-national institutions at the local levels (Hossain, 2014; Ayee and Dickovick, 2010; Ahwoi, 2010). It is the most common and widely practiced form of decentralisation in sub-Saharan Africa (Ayee, 1992, Ayee, 2004; Alam, 2011b; Osae, 2007; Ofei-Aboagye, 2011). Political decentralisation which is the foremost component of decentralisation seeks to equip and

allocate to citizens or their elected representatives more power in public decision making and participation in policy formulation. The political representation of the national governments is replicated at the local level to ensure speedy and prompt redress of grievance at the local level. Ghana's political decentralisation is recognized by Article 240 of the 1992 Constitution and the Local Government Act of 1993, Act 462. This has a direct and indirect tremendous effect on poverty reduction and local economic development.

2.2.2 Administrative Decentralisation.

Political decentralisation often times leads to administrative decentralisation. Administrative decentralisation is the redistribution of authority, power, responsibility and financial resources to the sub-national agencies (World Bank, 2012). It transfers responsibility from the central government to the local authorities for the planning, financing and management of certain public functions. This means that, under administrative decentralisation, executive and governmental functions performed at the center are brought closer to the local people from the central government and its agencies to field units, subordinate units, semi-autonomous public authorities or corporations, or area-wide, regional or functional authorities which is also supported by Yuliani, (2013) and Devas, (2005). There are other forms of decentralisation or administrative decentralisation, they are de-concentration, delegation, and devolution (Ahwoi, 2010). These measure the magnitude or degree of transfer of the function from the administrative center to the local or unit area. Administrative decentralisation therefore examines the ways through which functions of the central government are brought closer to the local people so that workload is reduced from the center and at the same time, the local people also feel part of the decision making process.

De-concentration is the transfer of power from the central office to a local office without any real transfer of authority. Mostly regarded as the weakest form of decentralisation and is used conveniently in non-federal nations (Hossain, 2014). It explains the redistribution of decision making where the national government shifts some administrative power to its own ministry offices at the local level. Power and authority still remained with the central office at the national headquarters. The Regional Ministries in Ghana are more or less a de-concentrated form of decentralisation.

Delegation is a more elaborate form of decentralisation as compared to de-concentration. Here, power belonging to a national institution is given to sub-national institutions to perform same functions and on behalf of the mother organization (Devas, 2005). Responsibility for decision making and administrative functions are given to semi-autonomous organizations that are not wholly controlled by the central government, for which they are ultimately accountable to it (Charbit, 2011). Delegation deals with the transfer of power from the center to the district areas without any real transfer of authority but enough power to ensure that the delegated authority can act within the law and report back to the delegating authority.

Devolution is the most radical form of decentralisation and often preferred and practiced in the first world countries (Ayee and Dickovick, 2010; Ahwoi, 2010). Devolution is defined as the transfer of authority for decision-making, finance and management to quasi-autonomous units of local government with corporate status (World Bank, 2003). It is the ultimate form of decentralisation and if carried out properly, it generates enviable results. Devolution is similarly the full transfer of the power of resource mobilization and allocation of responsibilities to a quasi-

autonomous, sub-national public authority that are fully independent of the devolving authority (Su, Ming, Zhao and Quanho, 2013). It ordinarily culminates in the establishment and empowerment of local governments that is accountable to the local population using a legal and regulatory framework. In devolution, local government should have the full responsibility for hiring and firing of staff and assigning authority and responsibility for carrying out tasks (Adam, Delis, and Kammas, 2008; Ahmed, 2013; Akai, and Sakata, 2002; Ali Akhtar, 2011; Asante, 2011).

Ghana's local government and decentralisation system is seemingly a de-concentration and devolution. While some functions such as planning and development of the districts are devolved, there are a lot of departments within the districts that directly report to the ministries which are either de-concentration or delegation of functions. It is still not clear which specific form of decentralisation is practiced in Ghana except that we can see a bit of everything which is one of the challenges to effective fiscal decentralisation in Ghana.

2.2.3 Fiscal Decentralisation

Financial decentralisation is core component and an engine of the purest form of decentralisation (Akai, and Sakata, 2002). Fiscal decentralisation basically transfers two things to local governments; power to perform functions and funds plus capacity to tax to deliver functions. Local government across the world generally have their funding's from external (central government), and internally sources (fines, levies, market tolls etc.). Fiscal decentralisation can take many forms, including: self-financing or cost recovery through user charges, co-financing or co-production. Expansion of local revenues through property or sales taxes, or indirect charges; intergovernmental transfers that shift general revenues from taxes collected by the central

government to local governments for general or specific uses improves the rate of development within the local area (OECD, 2011; World Bank, 2010). Fiscal decentralisation could help localities improve more economically and become competitive in spending into education, health, security, which invariably would increase residential property values, commercial property values, improve productivity, especially in developing countries. Effective fiscal decentralisation could help in transforming the local economy of Ketu South municipality. This means that funds from the internally generated sources and the intergovernmental transfers as well as donor funds could be made available to the district critical development options. Inter-governmental transfers are assured sources of revenue to the local assemblies because central government's tax the most lucrative business making the tax base for the local authorities weak that the dependence on central government subventions is a better alternative for most local governments. This, however, is not automatic as the ability of central government to release funds to the local structure is amongst other things dependent on the priorities of government and the urgency of more pressing needs such as national security and defense.

Fiscal decentralisation is also usually classified into economic or market decentralisation which comprises both privatization and deregulation. Privatization is where the performance of responsibilities and functions is shifted from the public sector to the private sector. This may have its own implication for rural areas because the focus of fiscal decentralisation is to first reduce poverty and then after improve upon growth and economic productivity (Rubinchick-Pessach, 2005). But privatization and deregulation favor the private sectors in terms of profit making and has the tendency compete with government agencies thereby encouraging improvement in the quality of service (Adam, Delis, and Kammas, 2008; Ahmed, 2013). Deregulation on the other

hand reduces the legal constraints on private participation in service provision or allows competition among private suppliers for services that in the past had been provided by the government or by regulated monopolies. Since the district assemblies are sub-national agencies and the focus of this study is on the impact of fiscal decentralisation on local economic development, the research will focus on the performance of the functions of the local authorities as spelt out in Act 462. Fiscal decentralisation thus constitutes the public finance dimension to decentralisation in general, defining how and in what way expenditures and revenues are organized between and across different levels of government in the national polity. The precise nature of intergovernmental fiscal relations and fiscal decentralisation policy in any given country varies depending on how sub-national government and administration is organized. (Dick-Sago, 2012; Rubinchick-Pessach, 2005). In such a context, fiscal decentralisation is often more narrowly conceptualized as fiscal devolution (Malizia, and Feser, 1999). A major element of this is that local governments are given an important role and some discretionary authority in delivering services to their communities.

Fiscal decentralisation, however, is not only a question of transferring resources to the different levels of local government. It is also about the extent to which local governments are empowered, about how much authority and control they exercise over the use and management of devolved financial resources, measured in terms of their control over the provision of local services for which they are mandated to perform; the level of local taxes and revenues; and the government's willingness to finance other projects. Evidence has shown that effective fiscal decentralisation by itself may not be enough to practically empower local communities to achieve the needed development (Akai and Sakata, 2002). While local power to mobilize and spend resources is

important, successful fiscal decentralization requires the full complimentary support of other aspects of decentralisation- political and administrative decentralisation to make it whole (Ahwoi, 2010; Samimi, et al., 2010; and Oates, 1995).

In Ghana, districts rely heavily on the DACF for the management and running of their district and it seems that the quantum of IGF raised is relatively linked to how much resources and logistics were invested in the collection process. Most local governments seem not interested in the collection of IGF because of the nature and expensive cost of collection. If you are not careful, one could spend more in collection than what a district actually collects thus sometimes, district would rather wait on the DACF than to attempt to raise IGF. For an effective fiscal decentralization to be achieved, I think that first, unless local governments are politically empowered by and encouraged by the legal framework to be more devolved than they currently are. Second, unless MMDAs in Ghana have administrative control over the services they are supposed to deliver (for instance, by having effective control over the local government staff that deliver local services instead of a situation where the Civil service and other public department like the audit service and the accounting department hire, transfer and fire their staff. In addition, the creation of an enabling environment for MMDAs (of which fiscal decentralisation is a core element) will often need to be complemented by support for capacity development, for the strengthening of inclusive systems for local public expenditure management, and for robust accountability mechanisms. Finally, successful fiscal decentralization also requires a meaningful dialogue between local, regional and central governments, an appropriate set of legal and institutional arrangements for local government management, and a system of incentives to allow local governments to champion the development of the local economy in their specific area of jurisdiction. The focus is how the local

area authorities could be supported to implement policies that inure to improving the welfare of the rural folks.

2.2.4 Sub-district Structures

Sub district structure includes those structures as established by the local government act of 1993, Act 462 to help support and facilitate the process of decentralisation and invariably fiscal decentralisation which has the tendency to lead to poverty reduction and rural development. These discusses metropolitan, municipal and district lower level units.

2.2.4.1 The Metropolitan Assembly

There are six (6) Metropolitan Assemblies in Ghana. Metropolitan Assemblies have population over 250,000 people. Metropolitan Assemblies have more revenue sources in a form of IGF than municipal and district assemblies. It is a four-tier because it has four levels of sub-local agencies. These are the Metros, Sub-Metro, Urban and Unit Committees. All these level have their roles and function to play in the attainment of the local economic development as specified in the Local government act of Act 462.

Sub Metropolitan District Assemblies

Sub-Metropolitan District Councils are local authorities under metropolis in Ghana. Due to the vastness of the metropolitan area, sub-metro structures are necessary in order to bring development closer to the people and to encourage grassroots participation. This is because decentralisation and local governments encourage the local people to feel involved and to lead development in their area. This is to manage the peculiar socio-economic situation in a locality and to deal with development and urbanization of the local area.

Urban Council

Urban councils have not less than 25,000 people and not more than 30,000 people living within a demarcated geographical location. It is the further division of the sub-metro area so that every urban town or center is specially catered for in terms of water, waste management and sanitation and social infrastructure.

2.2.4.2 Municipal Assembly

Municipal assemblies are lower than the metropolitan assemblies but are also higher than the district assemblies in terms of political status. It is normally a single compact settlement with a population of people between 250,000 and 95,000 people within the political jurisdiction of a municipality. There are fifty-six (56) municipal assemblies in Ghana. It has a three-tier local government system. These are the Municipal, Zonal and Units committees. Ketu South is one of the five (5) municipal assemblies in the Volta region of Ghana.

Zonal Councils

Zonal Councils areas are very peculiar to the municipal assemblies. Every municipality is divided into various zones for easy governance and revenue mobilization. Most importantly, this is to allow the various clusters of people in the areas to have a common front. There are five zones in the Ketu south Municipality, these are Aflao Fugo, Aflao, Wego, Some Fugo, Some Wego and Klikor. These zones make the collection of revenue especially business operating licenses and property rates and permit very easy to access and assess.

2.2.4.3 District Assembly

District Assemblies are the commonest local government structures in Ghana. When the first comprehensive decentralisation policy was launched in Ghana in the year 1988/1989, there were

110 local government areas across the country. Today, there are 154 districts in Ghana. District assemblies are also three-tier local government with a population strength of at least 75,000 people.

Town/Area Councils

Town and or Area Councils are the further division of the district assemblies. These allow for mapping out revenue area in term of property rating and evaluation. It also helps in property rate collection.

Unit Committees

Unit Committee is one of the most critical sub-national agencies yet most unnoticed. Just as every assembly has an Assembly Man, every Electoral Area is supposed to have elected Unit Committee members that assist the assembly member in the management and day-to day decision making that concerns the affected electoral area. Unit Committees consist of not more than fifteen (15) members made up of ten (10) elected persons ordinarily resident in the unit and not more than five(5) other person resident in the unit nominated by the District Chief Executive acting on behalf of the president.

2.3 THE CONCEPT OF ECONOMIC GROWTH AND LOCAL ECONOMIC DEVELOPMENT

There seems to be a growing concern about the right form of measurement of economic growth as against the economic development. Economic growth is a narrower concept than economic development or in other words, economic growth is only an aspect of economic development (Zhuravskaya, 2000). Economic growth is the increase in the nations real national output which can be caused by an increase in the quality of resources, increase in the quantity of resources and improvement in technology. It is the increase in the value of goods and services produced by every

sector of the economy. Economic growth is normally measured by increase in Gross Domestic Product (GDP) or the per capita income and it is purely quantitative (Berkowitz and Li, 2000; Rodrik, 2000).

However, economic development includes economic growth plus increase in living standards, improvements in self-esteem needs and freedom from oppression as well as greater choice (Trah, 2004). Economic development is the process whereby a nation's real per capita output or its total income rises continuously over a long period which leads particularly to changes in the structure of economy as well as changes in critical aspects of the society. Notable among them are life expectancy, health and education, security and quality of lives of individuals (Blakely and Bradshaw, 2002). It seems the most generally accepted accurate method used for measuring economic development is the human development index (La Porta, Lopez-de-Silanes, Shleifer, and Vishny, 1998) which accounts for literacy rates and life expectancy which affects productivity. This leads to the creation of more opportunities in the sectors of the economy such as education, health, employment and conservation of the environment. Economic growth normally does not take into account the size of the informal sector. Economic growth is necessary but not a sufficient condition for economic development. Economic development is more relevant is measuring quality of development is developing nations (Valler and Wood, 2010; Empel, 2007b; Rodriguez-Pose, and Crescenzi, 2008). While economic growth is purely quantitative, economic development is both qualitative and quantitative and the focus of this research is on the qualitative aspect of economic development thus an impact of fiscal decentralization on the qualitative life of citizens within the study area.

2.4 THE RELATIONSHIP BETWEEN FISCAL DECENTRALISATION AND LOCAL ECONOMIC DEVELOPMENT.

Local economic development denotes the process in which local government or communities based organisations participate to stimulate or maintain business activity. The prime goal of local economic development is to stimulate local employment opportunities in sectors that improve the community using existing human, natural and institutions' resources (Blakely and Bradshaw, 2002). Critical features are the development and recognition of the capabilities and resources of the local people through education and training, increasing life expectancy through high quality health care, stimulating employment through the empowerment of small scale enterprises in order to stimulate productivity (Blakely, 1989). Long-term economic viability and sustainability is essential for local economic development which is the participatory development process that encourages partnership arrangements between the main private and public stakeholders of a defined territory, enabling the joint design and implementation of a common development strategy, by making use of the local resources and competitive advantage in a global context. And with the ultimate objective of creating jobs, stimulating economic activity and drastically reducing poverty (ILO, 2006). This definition identifies the four cardinal ingredients of development as a result of fiscal decentralization which are sometimes referred to as the strategies of local economic development. These are the need for participation and social dialogue, the local emphasis, mobilization of local resources within the national perspective and building of competitive advantage, and local ownership and management (Bondzi-Simpson, 2014). It is therefore fair to say that as far as the local economy of most districts are concerned, the actions or inactions of central government affects them either directly or indirectly while those of the local government within their jurisdiction affect them directly (Rodriguez-Pose, and Tijmstra, 2007; Blakely, 1989).

Some scholars observed that decentralisation does not seem to be a good way to boost efficiency (Treisman, 2000). However, there are many proponents of the view that central policies and development programs can be carried out more effectively and sustainably through strategies of administrative or fiscal forms of decentralisation (Smith, 1982; Rondinelli, 1983; Conyers, 1983; Davoodi and Zou, 1998; Thiessen, 2001; Oates, 2005; Devas, 2005; OECD, 2011; World Bank, 2010; Stoker, 2010; IMF, 2009). Fundamental aims of local economic development involves education, health care delivery, facilitating workforce development, providing a competitive local business environment, encouraging and supporting networking and collaboration between businesses and public/private and community partnerships, concentrating on investment that would boost growth and supporting the quality of life of the people (Ruecker & Trah, 2007).

Local government therefore should make policies to attract the community incorporating the role of private sector, unions and community groups and the role of the other institutions in local economic development and employment activities. Moreover skill level of rural dwellers must be critically considered. Small towns and villages are pivotal sites of competitiveness in a new global economy (Valler & Wood, 2010), and such, globalization gives a bigger role to play in international development (Rodriguez-Pose, 2008a). Globalization has exposed even the most remote localities to competition and forces firms to the new economic conditions. It is obvious not all localities have the same capacity and tools to make the world an even playing field (Rodriguez-Pose & Crescenzi, 2008).

It is expected that the effectiveness of fiscal decentralisation with regard to quality service provision will reduce further away from the urban areas due to low capacity and level of autonomy

of sub-district structures. And local economic development reflects variability in the aspirations and concerns of actors about the pace and extent of local investment (LeHeron, 2009; Blakely, 1989). Although local economic development originally represents the local economy's capacity to create wealth for local residents (Bartik, 2003). It is an aspect of decentralisation and local governance where the local authorities are not only making a better use of the locally available resources but are also able to stimulate economic growth, compete and create more jobs for the local population (Helmsing, 2005).

Due to the current challenges in global financial crisis as well as budgetary support to the government of Ghana, local authorities are compelled to find new solutions to support local competitiveness and to create inclusive development (Gomez & Helmsing, 2008). Local economic development is widely considered to be a process through which partnerships between local governments, non-governmental organizations, community based groups and the private sector are established to manage existing resources, to create jobs and stimulate the economy of the local area to the benefit of the local people (Blakely, 1989; Harrison, Todes, and Watson, 2008). The focus of local economic development includes among other things, property development, place marketing for internal investment, small, medium and micro enterprise (SMME) development, investment facilitation, improving the local business investment climate, encouraging local business, institutional development, upgrading skills and training, investment in business sites and premises, and cluster upgrading (Rogerson, 2006).

While it is critical for the central government to be engaged and involved in the provision of sensitive services, it is essentially important for the local government to be engaged in the

provision of essential services that impact on the daily lives of people within their jurisdiction. Central government normally should focus on such services as defense, external affairs and foreign relations, currency and foreign exchange, institutes for research, nuclear energy, mineral oil and national gas among others. Often times, the enabling environment for implementing local economic strategies in Africa has faced many challenges such as inadequate government capacity, non-availability of usable data which contributes to inability to identify the strength and weakness of well-intended policies (Rodriguez-Pose & Tijmstra, 2007).

The most critical constraints to local economic development remain funding and financing. Most projects are programs are more focused on funding instead of financing (Blakely and Bradshaw, 1938). Funding is getting money or loan to organization and project while financing is where the project is such that it can generate enough to refinance maintenance and interest on loans. The ability of subnational and district institutions to develop and implement prosperous strategies is most likely limited by skills and infrastructure, lack of funding and government capacity, and this is more pronounced in Sub-Saharan Africa (Rodriguez-Pose and Tijmstra, 2007). Local assembly provides goods and services such as water supply, drainage and sewage, market development, town and urban roads, educations, health, land development, financing social infrastructure in the area of roads, markets, car parks reduce cost of doing business, planning and zoning to facilitate informal economic activities, increase support through government poverty reduction program fund. These micro economic activities contribute in building the local economy of the Ketu South municipal assembly. The provision of these services could lead to development within the area. Notwithstanding the difficulty faced by governments in implementing local economic development plans and programs in Africa, the practice of fiscal decentralization is making it critical component in in Africa (Aggrey, 2005). Beyond IGF, DACF, DDF, international donors,

non-governmental organizations, similarly, have assumed a critical role for promoting rural development and poverty reduction in parts of Africa (Hill et al., 2007). It is also observed that African countries especially Sub of the Sahara lag badly using the indicators of quality business environment for both formal and informal sector enterprises (Eifert et al., 2008).

The practice of decentralisation and for that matter fiscal decentralisation has gained root in Ghana. It is therefore critical bearing in mind the relevance of using local resources in creating sustainable employment opportunities in Sub-Saharan Africa and to examine the influence of fiscal decentralisation on the local economic development. This offers opportunity to examine the usefulness of fiscal decentralization as part of our decentralisation and local government system and ways to position it in order for it to move from the traditional goals of poverty reduction into all-inclusive growth seeking policies likewise, creating an enabling local business environment.

2.5 THEORY AND CONCEPTUAL FRAMEWORK.

2.5.1 Introduction

The theory and conceptual framework section details the conceptualization of the thesis and the theory that was used to support the research. The conceptual framework was developed from literature with regard to how the data was analyzed for this thesis.

The conceptual definition of fiscal decentralisation and local economic development is increasing the roles of raising and spending and the ability to harness local resources to improve the living condition of the people.

2.5.2 Public Value Theory

The theory of public value was adopted for this study. Theories are very critical in research works. It draws your attention to particular events or phenomena and sheds light on relationships that might otherwise go unnoticed or misunderstood (Bickman, 2008). Public value argues that public services are distinctive because they are characterized by claims of rights by citizens to public goods and services that have been authorized and funded through some democratic process (Benington, 2012). According to Williams and Shearer, (2011) public value basically, is the analogue of the desire to maximize shareholder value in the private sector. It is designed to get public managers thinking about what is most valuable in terms of local priorities and to consider how effective management can improve the standard of living that can enable the citizens to agree that they are getting value for money either locally generated, grants or transfers from the central government.

The theory intimates that public services are different from those available in private competitive markets. Most importantly, perhaps, public services are characterized by claims of rights by citizens to services that have been authorized and funded through some democratic process (Grant, and Fisher, 2010). This means that public value theory is focused on citizenship, networking governance and the role of public agencies in the working with the citizens to co-create public value, generate democratic authority, legitimacy and trust. It also stress that, the domains within which public managers are working is a complex adaptive systems with characteristic which are qualitatively different from simple market forms, or private sector business principles. This means that how public managers can ensure that they maintain an organization's legitimacy in the eyes of the public through efficient delivery of service and a more rounded accountability.

2.5.3 Conceptual Framework

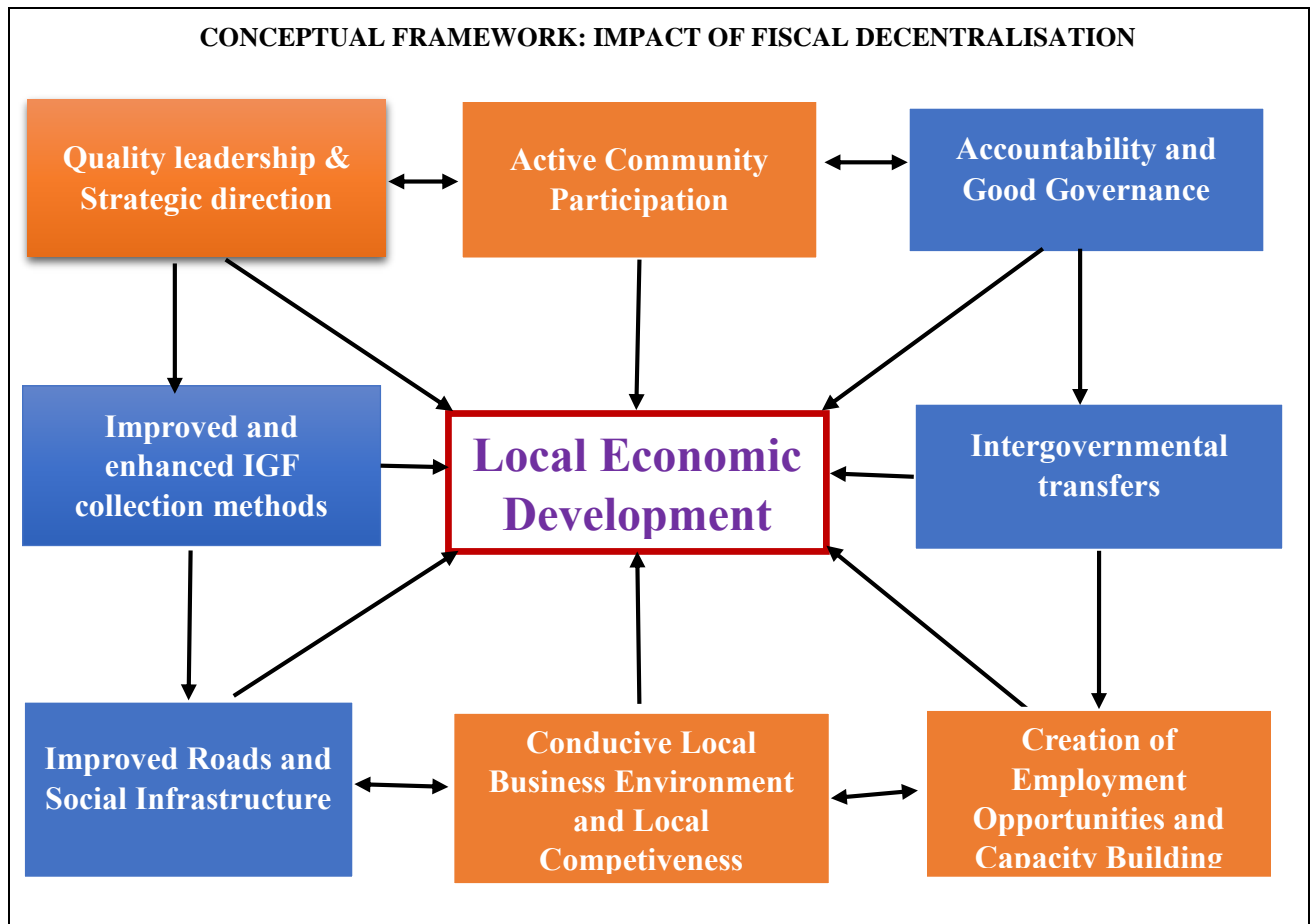
The conceptual framework was developed to explain that a stable economic growth and development in a local area is possible in every district that has improved and enhanced IGF collection methods, consistent flow of DACF, quality leadership with strategic direction, accountability and good governance, conducive environment for business and grassroots participation. This was based on the critically reviewed literature on fiscal decentralisation and local economic development combining it with the theory of public value.

Improving upon fiscal decentralisation would enhance the local economic development of the Ketu South Municipal Assembly. Consequently, the impact of fiscal decentralisation on the local economic development of KSMA necessitates a very comprehensive approach to the study of the current structure of fiscal decentralisation with regard resource allocation and how it impacts on harnessing local resources in improving the living condition of the people.

Examining the current level of service provision enables one to determine and establish the existing factors promoting or inhibiting fiscal decentralisation. Factors promoting fiscal decentralisation are grassroots participation, training of future leaders, development of local economics and infrastructure development. However, unpredictable revenue, poor collection mechanism and leakages in systems and lack of political commitment are few of the reasons that are hindering the effective realization of the goals of fiscal decentralisation (Dick-Sagoe, 2012). Fiscal decentralisation helps to the development and improvement of the lives of individuals, and the local economy. Effective services delivery, especially when citizens feel a sense of right of access to these services, their maintenance becomes less problematic especially in the face of limited budgetary allocation. How can fiscal decentralisation impact on the provision of capacity,

sustainable livelihoods and skill trainings in harnessing natural resources that could ultimately improve the living conditions of the natives? The conceptual framework for this research work is diagrammatically represented in a figure 2.1 below.

Figure 2.1: Conceptual Framework



Source: Authors' Conceptual Framework, 2015.

Figure 2.1 above shows the Conceptual Framework on the impact of fiscal decentralisation on local economic development. Fiscal decentralisation alone could lead to improved IGF collection, intergovernmental transfers, accountability and improved social infrastructure. But for the goals of Local Economic Development to be fully achieved, these should be accompanied with

conducive environment for business, strategic leadership and direction, community participation and ultimately the creation of employment opportunities and capacity building that could take advantage of local resources and that would benefit the local people in raising their standard of living

2.6 HISTORICAL UNDERPINNINGS OF FISCAL DECENTRALISATION IN GHANA

Local governments all over the world play a very significant role in the administration and development of the country at the local levels. This was based on the widely accepted notion that the capacity to solve the problems of low-income areas lies within these communities (Blakely, 1938). Local governments are therefore essential in the developing countries so as to help reduce poverty and improve rural development. The 1992 Constitution of the Republic of Ghana provides a broad framework for decentralisation and local government that creates a basis for citizens' participation in decision-making and grassroots governance. The decentralisation legislative instrument of Ghana delegates and devolves authority, functions and responsibility as well as human and financial resources from the central government to the various local governments at the district levels (Alam, 2011b). The policy document also creates and establishes major areas of relationship between the local and central government (Act 462, 1993). This create a mutual relationship of interdependence for progress.

The historical development of decentralisation in Ghana can be traced to pre-colonial days where chiefs with limited jurisdiction ruled settlements and kingdoms. These long established African traditional practices were used during the colonial era by the British Colonial Government where traditional authorities, helped to administer law and order (Ayee, 2012). This led to the

development and practice of decentralisation in Ghana. The Municipal Ordinance of 1859 which established municipalities in the coastal towns of the country, such as Cape Coast and Accra through nomination of members was the first legal document on decentralisation in Ghana. Another Ordinance was passed in 1943 which established the setting up of elected town councils for Accra, Kumasi, Sekondi, Takoradi and Cape Coast only (Ayee, 2008b; Ahwoi, 2010). However, after becoming the first country to gain independence south of the Sub-Sahara Africa in 1957, Ghana led in depending local governance by passing the Local Government Act later in 1961, (Act 54). All the above mentioned legislations preserved the distinction between the central and local government (Ayee, 2012; Chireh, 2011).

Following in the colonial arrangements, these ordinances gave power to the local authorities and institutions to deliver municipal amenities but it was unclear how these services would be delivered and how they were resourced. These localities consequently were unable to attract competent personnel to raise funds to meet both mandatory and permissive obligations (Ahwoi, 2010; Alam, 2011a).

Fiscal decentralisation has therefore become very necessary to ensure that local governments are better resourced. Even before examining fiscal decentralisation, it is proper to understand decentralisation.

Decentralisation is the process of making governance closer to the people. An advancement to the practice of decentralisation in Ghana was made in the Local Government Act 1971, (Act 359), which only became effective in 1974 known as the Local Administration (Amendment) Decree 1974, (NRCD 258) due to change of government in 1972. This Act created sixty-five (65) district councils as a monolithic structure which has abolished the separation between local and central

governments. It transferred functions of the District Assemblies but at the same time, centralised all financial administration in Accra (Ofei-Aboagye, 2011).

The most comprehensive decentralisation policy rolled out in Ghana, however, was in 1988, a time that many African countries were yet to adopt a decentralised system of government (Ayee, 2012). The focus then was on local planning, delivery of social services, and also to ensure broad participation and inclusive representation of the people (Aboagye, 1994), and PNDC Law, 207 was passed to support that preference (Alam, 2011b). Subsequently, Chapter 20 of the 1992 Constitution of the Republic of Ghana further expanded and institutionalised the theory and practice of decentralisation in Ghana. This gave credibility to the concept of local governance in Ghana. Scholars have argued that decentralisation thrives more in a democratic state than in military governments but in Ghana, the military governments were rather more sympathetic and interested in decentralisation processes and procedures than the democratically elected governments we have had before 1992 (Ahwoi, 2010). Following the promulgation of the 1992 constitution, it was necessary to formulate and pass into law specific legislation that could deal directly with the various aspects of local governance in Ghana. These legislations are the Local Governments Acts 1993 (Acts 462), which establishes the legal framework for four-tier metropolitan and three-tier District/Municipal Assemblies. The District Assemblies Common Funds (DACF) of 1993 (Act 455) focused on the financing the developmental projects of the assembly with support from centrally allocated funds and the National Development Planning Systems Act, 1994 (Act 480); was passed to have a comprehensive national development plan within which the districts are the target beneficiaries. Institute of Local Government Studies Act, 2003 (Act 647), was passed to allow for skill training and capacity building on the part of personnel

that will work in the local assemblies and the Local Governments Service Act, 2003 (Act 656) deals directly with the conditions of service and conduct of the workers of the local government service in Ghana. All these legislation were in one way or the other reinforce the practice of local government in Ghana over the past two decades.

But most importantly, all these legislation basically were concerned with the fact that if the country was to develop, it has to start from the local areas through local participation, allocation of funds to the local level to aid building of schools, hospitals, provision of social infrastructure, creating business, farming, roads, market among others. Decentralisation is a more effective way of delivering the needs of local people than central planning because decentralisation makes leaders and politicians more responsive, accountable and very answerable (Smith, 1985; World Bank, 2000). While there are many persuasive opinions for devolving significant portions of central government powers, functions, expenditure to lower-level governments, the financing is always the problem in most developing countries (Smith, 1990). However, there are concerns over equality, administrative complexity, economies of scale, transparency, macroeconomic stability and reliable revenue flows which tend to favor centralization of power and revenue mobilization over decentralization (Xuza, 2007).

In order to provide an effective and efficient service delivery in the local economic development, mutual interdependence between the central government and local government institutions is essential (Akhmouch, 2011) to ensure efficiency and prudent use of scarce financial resources. Hence it is critical to examine all the factors that could lead to local economic development, the allocation of resources alone is not enough to achieve that. It is possible that availability of funds

may not necessarily result into its effective use or development (Ayee, 2012; Ahwoi, 2010; Rodriguez-Pose, A and Ezcurra, 2009; ILO, 2008). Therefore, the main crust of this thesis is not only to examine how fiscal decentralisation impacts on the local economic development but what other factors are responsible to ensuring effective service delivery. For example, does the availability of finance necessarily result in local economic development? There could be other essential factors such as corruption, level of autonomy of local authority and effective community participation that could hinder or foster development. It is consequently imperative to conduct a study into the impact of fiscal decentralisation on the local economic development in Ghana.

2.7 THE POLITICS OF FISCAL DECENTRALISATION IN GHANA.

Finance is a very critical aspect of governance. Its availability and distribution is heavily influenced by social connections and political power the world over (Skolow, and Spezia, 1990). The structure of local authorities (such as the metropolitan, district, assemblies, urban and zonal councils and Unit Committees) may not be as organised as the national itself, but whatever the form, the goal is the same, that is, to improve on the social well-being and the quality of lives of the local population (Goldstein, 1979; Hirschman, 1958). Though the operation of the district assemblies are supposed to be non-partisan, the district chief executive is directly the representative of the president and this is political enough to distort the non-partisan nature of the local government systems in the local area. The Local Government Act 462 of 1993 provides that 30% of legislative assembly members should be appointed by the president or his representative working on his behalf. The DACF allocation to the District Assemblies is mandatory and sanctioned by law but it is very clear that often times most of these disbursements are influenced by political authorities. Cabinet ministers and high ranking party officials especially those in the

ruling government have been controlling and influencing the direction of funds and projects in and out of local areas (Koranteng, 2011d). Districts within the strong-hold of a governing political parties may have more development projects than districts within the stronghold of opposition parties (Kpessa, 2011).

According to Send Ghana, (2014), about 37% of all local government projects that are DACF funded were abandoned due to changes government in Ghana. The research further confirmed that, four hundred and sixteen (416) major project across the country are been funded by DACF which indicate the relevance of the DACF funds to the development and poverty reduction especially at the district level (Send Ghana, 2014). Projects are abandoned by successive governments due to the fact these projects will only give credit to their predecessors. In Ghana, mostly, anything done by government in the area of development is largely meant to rake in some votes. Can something be done without political will? Politics has permeated every aspect of our lives as Ghanaians and in the face of scarce resources and the need for development, politics controls the direction of development (Kenya, 2011). While, the 1992 Constitution frowns on active political party politicking at the local level, politics has almost become as prevalent at the local level as it is at the national level with its attendant problems. Political will is indispensable to any development effort and citizens have a big role to play in generating the political will through demand creation, communication, campaign, advocacy and engagement (IMANI, 2014).

Therefore the formulation and implementation of developmental goals at the local level has become problematic due to undue political influence. Development at the local level should be

devoid of partisan politics. There is the need to separate administration from politics into distinctively independent of each other as in powers of separation yet ensuring checks and balances

2.8 SOURCES OF LOCAL GOVERNMENTS FUNDINGS IN GHANA.

The Assembly has both internal and external sources of revenue. The internal sources of revenue which is largely IGF has various sub-sources while the external sources include intergovernmental transfers and voluntary and donor donations

2.8.1 Internally Generated Funds (IGF) to MMDAs in Ghana

There are a number of provisions in Act 462 to enable the assembly mobilize internal revenue; power conferred on the Assembly as a Rating Authority, to make and levy sufficient rates to provide for the part of total expenditure (recurrent and capital) to be incurred during the period which the rate is levied. There are categories of internal revenue sources for the Assembly are rates, fees/charges, license/permits, rent, and fines/penalties. They are discussed below

RATES: Imposed on persons who reside in the municipality and owners of immovable properties that is located in the municipality (basic rate and property rate).

FEES: Levied for the use of facilities and services provided by the Assembly. Examples include payment of tolls at markets, lorry parks, slaughter house, cemeteries, waste management services, public toilets.

LICENSE/PERMITS: Licenses are issued for a host of items and activities. They are granted for the beginning and continuance of an activity or for doing something or for keeping a possession which is regulated by a bye-law made by the assembly.

RENT: Are fixed for market stores, stall, space, lorry parks, and residential premises.

FINES/PENALTIES: These are specified by bye-laws within the limits presented by Act 462 for doing or failing to do an act, whose commission or omission may constitute a menace or nuisance to the public. Examples involve non-payment of rates/fees, unauthorized development, enforcement against nuisance (noise, sanitation), and stray animals.

2.8.2 External Sources

Revenue to the district assemblies from the external sources include central government transfers for salaries and goods and service expenditure (GoG), grants are District Assemblies' Common Fund, Ghana Education Fund (GET Fund), District Development Facility (DDF), Urban Development Grant (UDG), Road Fund, etc.), ceded revenue, donor Support (SIF, UESP II, GUMMP, CHF, UN HABITAT, etc.), loans and support from individual within and from the district.

2.8.3 The District Assembly Common Fund (DA CF).

The district assembly's common fund is a creation of the national constitutions. Article 252 of the 1992 Fourth Republic Constitution of Ghana, provides that there shall be a fund to be known as the District Assemblies Common Fund. A provision of 5% now revised to not less than 7.5% of total revenue Gross Domestic Product (GDP) shall be allocated to the district assemblies for development and the amount shall be paid in quarterly installments. The allocation must be distributed to all districts in Ghana based on a formula approved by parliament. This mandatory fund does not unstop the state from making grants in aid to the various district assemblies in other forms of funding specific projects.

Its benefits include programs and projects that create jobs, improve access to shelter, health, education, markets, rural and urban roads, and also support community initiated programs.

Exactly, 90% of the allocated GDP fund should be shared among the districts according to the approved formula. The formula is based on equality, social and economic needs of the various MMDAs. Achieve the overall objective of the Ghana Shared Growth and Development Agenda (GSGDA). The fund has reduced poverty by 10% in 2009, 15% in 2011 and it is projected to hit 30% in 2016. (DACF Report, 2012).

2.9 Conclusion

The chapter examines the theoretical framework for the study and all relevant literature were critically reviewed. The literature on fiscal decentralisation and local economic development tended to emphasize on the quantitative aspect of growth with very little analysis of the qualitative aspects. Resources and capacity of local assemblies if used following laid down rules and regulation ensures development. The literature confirms encourages local government to undertake projects that are capable of financing local projects rather funding them only. In the long term, financing could enable projects pay for the initial cost of construction and subsequent maintenances cost.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology employed for the data collection and analysis. According to Creswell (2014), methodology refers to the procedures researchers use to investigate what they believe could be known as informed by the research framework. This chapter covers specific sub-themes such as research paradigms, research approaches, research design, sampling techniques, data collection procedure, data management and analysis. Others include validity and reliability, ethical considerations and problems encountered in data collection during the research study. Research methodology basically focuses on how the data was collected and sampling techniques used for the study.

3.2 Research Paradigms

A paradigm is “a set of beliefs, values and techniques which is shared by members of a scientific community, and which acts as a guide or map, dictating the kinds of problems scientists should address and the types of explanations that are acceptable to them” (Kuhn, 1970: 175). This research was carried out within the parameters of the Critical Realist Paradigm (CR). Under the critical realist approach, knowledge is both context and time dependent which is discovered and verified through mutually primary and secondary data. Critical realist intimates that interdependent relationship exists between assumptions and that link formulates an understanding of fundamental philosophical assumptions within paradigms. According to the Critical realists, there is a ‘real’ reason behind every reason.

This thesis through the use of the critical realist paradigm focused on credibility, internal validity, and reliability. The qualitative method approach of research is accordingly adopted for this study.

3.3 Research Approaches

The qualitative method approach was adopted for this study because it allowed for an in-depth analysis of the problem. According to Baxter and Jack (2008), the qualitative method of data collection has become a valuable method for public administrators and policy analysts in order to develop theories, evaluate programs, and monitor the performance of governments and statutory institutions. Creswell (2014), argued that the qualitative method of data collection has become very critical to examine social phenomena within a certain time, context and culture.

Most researchers (Creswell, 2014; Baxter and Jack, 2008 and Yin, 2003) believe that social reality is embedded within and cannot be abstracted from their social settings, and that an ideal way to understand such reality is to engage in ‘sense-making’ rather than hypothesis testing that is typical of quantitative research. Therefore, the qualitative research approach was adopted for this study to examine within the Ketu South local economy, using the official in charge of managing the local economy.

3.4 Specific Design

The case study design was employed for this study. The choice of this design for the inquiry reflected the study’s emphasis on how fiscal decentralization influences local economic development from the participants’ worldview and interpretation of reality. As it emphasizes studying a phenomenon within a context, the case study provides an appropriate way of increasing

the understanding about social constructions of reality including the multiple realities constructed by human beings who experience a phenomenon of interest. It is an empirical inquiry that investigates a contemporary phenomenon within real-life context. The case study design was selected because it allowed the researcher to focus attention not only on the socio-economic indicators of the local economy but the way and manner these indicators essentially affect the “bread and butter” issues of the local residents. This therefore allowed the study to as well examine all dimensions of fiscal decentralization which is likely to result in the local economic development of the municipality.

Base on the understanding that the study requires an in-depth information which is rich in data that is needed to appreciate the social issues, a case study became the most preferred choice. This is because it helps to deeply interrogate issues for a deeper understanding and analysis of the research objective. The study did achieve this through the use of interviews as an instrument. The face-to-face qualitative approach of data collection was used. Creswell (2014) argued that the face-to-face approach to data collection allows the researcher to examine emotions and facial expression of respondent(s). This allowed the researcher to have an in-depth understanding of the phenomenon under study and thus made a detailed and informed analysis.

3.5 Target Population

Ketu South Municipal Assembly is one of the oldest districts in the Volta region. The Ketu North district was carved out of it in 2007. KSMA has a total population of 160,756 people which comprises by 53% females and 47% males (PHC, 2010). It is made up of over 400 communities clustered into five (5) Zonal Councils. The Zonal Councils are: Aflao, Some Wego, Some Fugo,

Aflao Wego and Klikor. The KSMA is dominated by persons engaged in agriculture and this accounts for over 60% of its population and also mostly predominant petty traders. The majority of the people are however involved in buying and selling to Keta, Accra, Akatsi, and Cape Coast and significantly across the Aflao-Lome border (KSMA 2014-2017 Medium Term Development Plan). The busiest town in the municipality is Aflao whiles the largest and most patronized market is at Denu which is located at the district capital- Denu Tokor.

The respondents are persons that are 18 years and above who are residents in the district and could fairly understand and appreciate the issues and should more likely be in a position to have the information necessary for this study. The respondents included the Municipal Chief Executive, Municipal Coordinating Director, Municipal Finance Officer, Municipal Planning Officer, Municipal Budget Officer, Head of Works and Engineering Department, District Engineer, Municipal Education Director, Municipal Director of Health, Director of National Commission for Small Scale Industries (NCSSI), and the head of the Fiscal Decentralization Unit of the Ministry of Finance. Two (2) revenue collectors from the five zonal councils and four (4) revenue collectors from the municipal headquarters were also interviewed. The constitution of the respondents allowed the researcher to get a first-hand understanding about the local economic situation and peculiarity and intricacies of the area.

3.6 Sources of Data

Data from the study was collected from both the primary and secondary sources. Primary data was collected from the respondents of this study through face-to-face interviews whiles secondary data was collected from files and documents made available by the assembly.

3.6.1 Primary Data

Primary data was collected from Ketu South Municipal Assembly. Face-to-face oral interviews was used to collect data from the officials of the assembly, MLGRD Director of NCSSI within the assembly and the head of fiscal decentralization unit of the ministry of finance. This was done where the researcher visited the offices of the data respondents and carried out the interview. The interviews take between forty-five (45) minutes to one-hour. An exceptional instance was when the face-to face interview with the Municipal Finance officer of the assembly lasted well over two (2) hours.

3.6.2 Secondary Data

The study also made use of secondary data. Secondary data was collected from the assembly in terms of their annual revenue and expenditure budgets, actions plans, and composite budgets among other reports. Information from articles, peer-reviewed journals, newspapers and other publications relevant to the focus of the study were equally accessed. Secondary data was collected from 2006 to 2014 but where data is not available, analysis is then done from 2010 to 2014. But where data existed beyond 2010 as the case in Internally Generated Fund (IGF), and District Assembly Common Fund (DACF), it is analyzed accordingly. The District Development Funds (DDF), started in 2009 but the first funding was only available in 2010 and because, these funds are released in arrears, it normally runs over into the next year. The internet served as a useful source of getting data on national budgets, conference papers, journals, and document relating to the established and developing relationship between fiscal decentralization and local economic development.

3.7 Sampling Techniques

The target population comprised key staff members such as the Municipal Finance Officer, the Municipal Coordinating Director and the Municipal Budget Officer of the Ketu South Municipal Assembly who were purposively selected. However, the researcher randomly drew two (2) revenue collectors each from the five (5) Zonal Councils within the municipality. The choice of the respondents of the Zonal Council and Unit Committee members enabled the researcher to identify the varying responses and dimensions to the issue of fiscal decentralization at the various levels with the local government and decentralization structure. This way, it was able to ascertain the logic in the variations of the responses given. Based on the objectives of the study, specific participants whose opinions are perceived as highly relevant and related to the objectives of the study were included in the study.

Interview guides guided the in-depth interviews. It is useful to identify that this study has considered individuals based on their position and ability to provide useful information and not based on gender, ethnicity, religion or tribe. The above data sample and participant is considered to be representative enough to provide all critical information needed for this research. In all, twenty (25) respondents participated in this study. The researcher holds the view that the sample techniques, frame and size employed for the purpose of primary and secondary data collection were adequate for this study.

3.8 Data Collection Instruments and Procedure

This involves face-to-face interviews through which primary data regarding the impact of fiscal decentralization on the local economy of the KSMA was collected as well as access to data on

IGF, DACF, DDF and Donor funds from the assembly. Data collection was done in a closed and open ended interview questions between the researcher and the officials and respondents of the assembly at their offices and places of work. Prior to the interview, the researcher had obtained a copy of the district's annual action plans and composite budget online from which essential data was extracted. The interview was to enable the officials answer the research questions and other related matters on revenue mobilization and how it impacts on development within their jurisdiction.

The steps followed are: request for permission through circulation of letter and a pilot test on the interview guides. The pilot test of the interview guide was carried out on officials of the assembly and some assembly members who control revenue mobilization within their jurisdiction. The pilot study was carried out to test the interview guide regarding the types of questions to be asked which helped the researcher to determine the sample size necessary and all other critical concerns were addressed. Piloting was used to fine tune the data collection tools, and possible challenges in the actual data collection process. This helped to refocus on the research questions.

Furthermore, the researcher took an introduction letter from the department of Public Administration and Health Services Management to seek permission from the KSMA, Denu, to conduct the study. Each member of the sample size was interviewed in a face-to-face in-depth interview. A notice of two (2) weeks was given before the interviews due to the busy schedule of the participants involved in most cases except those respondents who were willing to offer themselves for the interview almost immediately. The researcher read and explained to the

respondents in terms of local revenue collectors certain technical issues in the local language to those participant who could only fairly read or write.

Similarly, the data collection process and field work lasted effectively for 8 weeks. The researcher, however, visited the assembly for clarification especially where certain data provided by the assembly seems not to tally or are contradictory by information in documents they submitted. Meticulous examination and fortitude ensured that all these discrepancies were adequately addressed and the final data presented and analyzed is a true reflection of the situation on the ground.

3.9 Data Analysis and Presentation

Data analysis consists of data collection, measurement and management. Data was analyzed in a manner that seeks to develop an increasingly detailed knowledge of the topic being studied. Miles and Huberman method of data analysis was used to analyze the data collected. Information from some sections, for example, the municipal finance officer was not audio recorded. Data participants expressed the concern of feeling jittery in case of tape recording. This is because, as most of them opined, that they would be more willing and would not hold back on certain details but that is unlikely if they are been tape recorded. The few audio recorded data however, were then transcribed and categorized into themes for analysis and interpretation to be carried out.

Miles and Huberman's data analysis transcendental realism was used. Its shows data reduction, data display and drawing and verifying conclusion. This approach makes use of time, place, and context. This is where we make sense of a written text. In other words, the Miles and Huberman

qualitative data analysis approach was used to frame the research in terms of the effect of fiscal decentralization on local economic development.

The qualitative method is used within the context that, up until recently, measurement of fiscal decentralization in studies of public policy and finances has been very crude (Rodriguez-Pose & Ezcurra, 2010). Gross Domestic Product (GDP) or either revenue or expenditure was used without accounting for the level of fiscal autonomy of lower level governments. For example, Oates (1972), measured the share of national government total public revenue as the degree of fiscal centralization. Woller and Philips measure fiscal decentralization by; the ratio of local government revenues to total government revenues; the ratio of local government revenues less grants-in-aid to total government revenues; the ratio of local government expenditures to total government expenditures and the ratio of local government expenditures to total government expenditures less defense and social security expenditures (Woller and Phillips, 1998 as cited in Vo, 2008). Thus this research adopted an in-depth interview to ensure a detailed explanation of the issue examining all dimensions rather than quantitative data that often does not come with an explanation to the real impacts or effect on the quality of lives and living standards of the people.

3.10 Ethical Consideration

Ethical considerations is of utmost importance to this study given that the study involved the interaction and gathering of information from government officials and individuals who are under no obligation to provide such information except under law. Gathering information on the financial performance of the assembly for years 2006 to 2014 as well as other personal opinions required the adherence to strict research ethics. An introduction letter was received from the Department of Public Administration and Health Services Management of the University of Ghana Business

School, which showed the intent of the study and also enabled permission to meet the MCE of the local area and the MCD for them to be interviewed for this research. The purpose of the study was explained to them and they were subsequently notified for the interview within two weeks after which the interview was administered. The respondents were told that every information would be strictly confidential. In this vein, ethical concerns such as voluntary participation, informed consent, confidentiality and anonymity were religiously observed. The thesis was carried out under the strictest academic discipline which applied all scholarly guidelines necessary to ensure that the identity and data collected only used for the intended purpose.

3.11 Validity and Reliability of Data of the Work

The pilot data collection procedure used ensured that due diligence was done and critical research issues such as challenges in data collection and analysis were dealt with considerably. All relevant alternative interpretation to the data collected were analyzed and all validity threat dealt with. The data was collected by the researcher himself and participants were made to understand the high ethical consideration necessary since this is an academic exercise and can easily be verified.

3.12 Brief Profile of Ketu South Municipal Assembly (KSMA)

Local government and fiscal decentralisation is practiced in about two hundred and sixteen (216) Metropolitan, Municipal and District Assemblies (MMDAs) and two hundred and seventy-five (275) constituencies in Ghana. These comprise six (6) metropolitan, forty-nine (49) municipalities, and one hundred and sixty-one (161) district assemblies operating within the various forms and levels of sub-district structures in Ghana. Out of these, there are twenty-five (25) MMDAs. These are made up of twenty-six (26) constituencies in the Volta region alone with no metropolis, five (5) municipal assemblies of which Ketu South is one, and twenty (20) district assemblies. The

Ketu District was established by legislative instrument (LI) 1469 of 1989 which was recently divided into Ketu South District and Ketu North District by a legislative instrument (LI) 1879 of 2007. The Ketu South District was again elevated to a Municipal status in 2012 by another legislative instrument of 2155 of 2012. This became necessary due to the increment in the total urban population and infrastructural development within the district.

The municipality has its capital at Denu-Tokor which serves as the administrative center. Aflao however, serves as the economic hub and the most urbanized and busiest town partly because of being a border town. There are various other committees stipulated in the Local Government Act of 1993, Act 462 that are entrusted with the management and administration of the operation of the assembly.

The Ketu South Municipal assembly is located at the south –eastern border of Ghana. It shares boundaries with Ketu North District to the north, the Republic of Togo to the east, the Gulf of Guinea to the south and to the west with Keta Municipal Assembly. It occupies a total landmarks of approximately nine hundred and ninety-seven (997) square kilometers which represents about 3.8% of the total land surface areas. In territorial terms, It lies between the latitudes of 6°03'N and 6°10'N and longitudes of 1°6'E and 1°11'E. The municipality serves as the Eastern Gateway to Ghana where continuous cross-border trading activities occurs. Aflao-Border is one of the critical revenue targets to government of Ghana due to its brisk business activities in the importation of goods and service across the border and the second single largest revenue generating point after Tema Harbor (GRA Report, 2012).

The total population of the district is 160,756 comprising 85, 108 (53%) for females and 75, 648 (47%) for males (GSS, 2010). The major urban communities are Aflao, Agbozume, Denu, Klikor, Adina and Blekusu. The assembly is relatively dominated by agriculture activities and this accounts for over 60% of its population (KSMA Report, 2010). The main agriculture products are maize, cassava and vegetables. The inhabitants are also engaged in commercial activities which are largely controlled by women. These involve cross border buying and selling of commodities mostly consumer goods and selling of goods in Accra and Tema popularly known in the local language as 'Smulglishi'. The district assemblies deliver many services, such as: pre- and primary education, social welfare, health, clinics, museums and libraries, water and sanitation, refuse collection, environmental protection and transport, and with varying degrees of authority and political responsibility for these services. Economic activities in the districts are supported by some financial institutions including Ghana Commercial Bank Limited., ECOBANK Ghana, United Bank of Africa (UBA), ADB Bank formerly Agricultural Development Bank , Guarantee Trust Bank, Barclays Bank sales center, Avenor and Unity Rural Banks. The most predominant and available finance service is every other corner are the micro finance and the credit Unions. These financial institutions provide credit to promote commercial activities within the district.

The Ketu South Municipal Assembly was selected as a case study because of the ease of access to data by the researcher. Again, due to its cosmopolitan local economy and the relative effort of the assembly in mobilising resources to improve upon the living standards of the people through poverty reduction and creation of employment opportunities, and available infrastructure and social amenities.

3.13 Problems Encountered During Data Collection on the Field

I encountered various difficulties during the data collection process. The discussion below outlines some of the challenges encountered and how they were addressed to ensure that the quality of the field data was not compromised.

The busy nature of the bureaucrats was a major problem since they were the respondents for this research. Two weeks prior notice was given but their busy schedules made them delay the data collection. Sometimes, scheduled meetings were cancelled because some data respondent had to attend to other work related issues. For example, the Municipal Chief Executive postponed two scheduled meetings due to changes in his official schedule. The district also had challenges with documentations and assessment of files in their archives. In situation where the DACF or the DDF data was conflicting between what is provided by the assembly and what is online, the data from the municipal assembly was used. Public officials are most times very unwillingly to release data in their possession for fear of loss of their jobs due to the perception that such sensitive information could be used by political opponents of the ruling government which could dent the image of government.

Despite the numerous challenges encountered during the research, the primary data was supplemented by secondary data in order to gain a clearer picture of the impact of fiscal decentralization on the local economic development in the KSMA.

3.14 FUNCTIONS OF KETU SOUTH MUNICIPAL ASSEMBLY

The section ten (10) of the Local Government Act of 1993, Act 462, gave the Metropolitan, Municipal and District assembly's specific mandate as a local authority. The same Act also

established the sub-district structures to ensure a complete decentralisation that can ensure poverty reduction, education and grassroots development. According to Act 462, District Assembly shall exercise political and administrative authority within its jurisdiction, provide guidance, give direction to, and supervise all other administrative authorities in the district. It is also the responsibility of the assembly to ensure overall development of the district and shall ensure preparation of budgets that must be approved by the Minister of Finance. Specifically, the district should formulate and execute plans, programs and strategies for the effective mobilization of the resources necessary for the overall development of the district, promote and support productive activity and social development in the district and remove any obstacles to initiative and development, initiate programs for the development of basic infrastructure and provide municipal works and services in the district and be responsible for the development, improvement and management of human settlements and the environment in the district.

These functions of the district assemblies summed up the critical elements of local economic development which advocated for the creation of an environment that allows for local resources to be used to improve the welfare of the people. The district should work hard to raise funds and be supported in the form of intergovernmental transfers that would ensure that the duties and responsibilities given to the assemblies are effectively carried out.

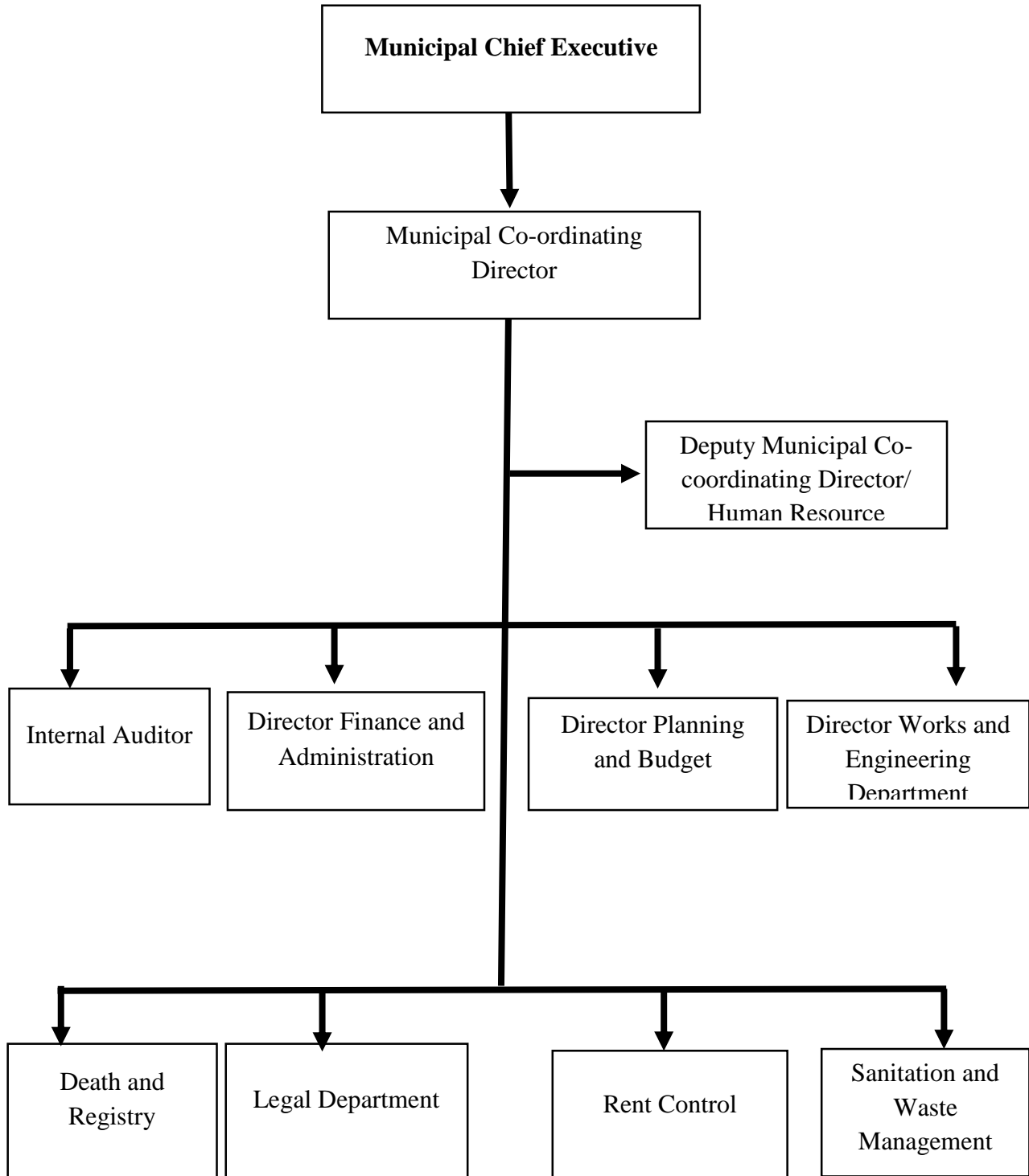
3.15 ORGANOGRAM OF THE KETU SOUTH MUNICIPAL ASSEMBLY

The organogram of Ketu South shows the chain of command as existing as described by figure 3.1. It has the Municipal Chief Executive at the top. The municipal Chief Executive is the representative of the president in the district and the highest political authority within the Ketu South Municipal Assembly. The Municipal Coordinating Director (MCD) is the administrative

head who is also the spending officer of the assembly. Others are the departmental heads of the Planning, Finance, Budget, Works and Engineering departments. Apart from the revenue collectors who are directly under the Finance Department all other lower departments such as Death and Registry, Legal, Rent Control, and Sanitation and Water Management report directly to the District Chief Executive through the Municipal Coordinating Director. The Education and Health Directors are not directly under the district structure but work hand in hand with the district for the attainment of the goals and the objective of the society such as improving quality of life and welfare.

Figure 3.1: Organogram of Ketu South Municipal Assembly

ORGANOGRAM FOR KETU SOUTH MUNICIPAL



Source: Field Data-Ketu South Municipal Assembly.

3.16 Conclusion

In summary, the chapter presented in detail the methodology used for the study. It also explained the idea behind the selection of the research paradigms, research approaches, specific design, target population, sources of data, sampling techniques, data collection instruments and procedure, data analysis and presentation, ethical consideration, validity and reliability of the study and, problems encountered during data collection. Using the Miles and Huberman approach allowed the researcher to give a detailed contextual analyses of the local economy and how fiscal decentralization could be used by the political actors to create local jobs and improve the quality of lives of the people. One of the problems encountered during data collection was the unwillingness of some informants to answer the research questions for fear of political reasons and were unwilling to be audio taped. The adoption of the qualitative approach was to address the gap in the literature of using qualitative method to measure the impact where quantitative approached had extensively been used (Rodriguez-Pose & Ezcurra (2010). Having conducted an extensive research into the relationship between fiscal decentralization and economic growth, they argued that any researcher that finds a negative relationship between fiscal decentralisation and economic growth has not probably used the right method or have not analyzed the data qualitatively as well or both. Hence, the qualitative methods for analysis is adopted. Problems such as double counting, various challenges with the calculation of the national domestic products of developing countries would make the use of quantitative data in this instance not a true reflection of the situation on the ground. This challenges however, were overcome and this development did not in any way affect the outcome of this study.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the data analysis and the discussions from the study. The collected data was analyzed using the Miles and Huberman qualitative methods of data analysis which combines data coding, display and reduction to verify conclusions Miles and Huberman, (1984). And the demographic characteristics of the respondents were also presented. Data was analyzed under these themes; the current state and structure of fiscal decentralisation in KSMA for that matter Ghana; the underlying factors impeding effective fiscal decentralization in Ghana and the impact of same on local economic development in the KSMA Assembly of Ghana.

4.2 Demographic Characteristics of Respondents

Demographic data or characteristics of a particular population examines the socio-cultural and environmental factors that affect the economic empowerment of the residents in terms of poverty reduction and local economic resources mobilization and subsequent development. Thus the demographic data was collected in order to have an in-depth understanding of how an effective fiscal decentralization could directly or indirectly improve upon the quality of lives of the people of Ketu South. The impact of fiscal decentralisation on the local economic development was be looked at from a comprehensive study of the contextual relationship between fiscal decentralisation and local economic development as well as how the aspirations of the local people.

Table 4.1 below indicates the list of the respondents for this study and their various appreciation of their physiognomies

Table 4.1: List and Rank of Respondents

	Position	Total
1.	Municipal Chief Executive	1
2.	Municipal Coordinating Director	1
3.	Municipal Budget Officer	1
4.	Municipal Finance Officer	1
5.	Municipal Planning Officer	1
6.	Presiding Member, KSMA	1
7.	Head of Works and Engineering	1
8.	Municipal Education Director	1
9	Municipal Director of Health	1
10.	Director of National Commission for Small Scale Industries (NCSSI).	1
11.	Fiscal Decentralization Unit of the Ministry of Finance	1
12.	Five Zonal Councils	2 each=10
13.	Revenue Department of KSMA	4
	Total	25

Source: Field Data Survey, December 2014-March, 2015

The demographic characteristics of respondents involved their social, economic, cultural, age, status and educational structures of the participants of this research. The population of the Ketu South Municipal Assembly is composed of 53% of women and 47% of men (GSS, 2010). This

notwithstanding, men tend to be more active in decision making than their female counterparts in Ghana.

In all twenty-five (25) persons were interviewed and the researcher believes that since an in-depth interview is being used, this number is adequate to achieve the objectives of this study.

4.3 Respondents Demographic Data

Demographic data of respondents looks at all the relevant characteristic of the population and sample size under study. This includes their gender, age, educational background and estimated income levels. This is presented in table 4.2

Table 4.2: Respondents Demographic Data

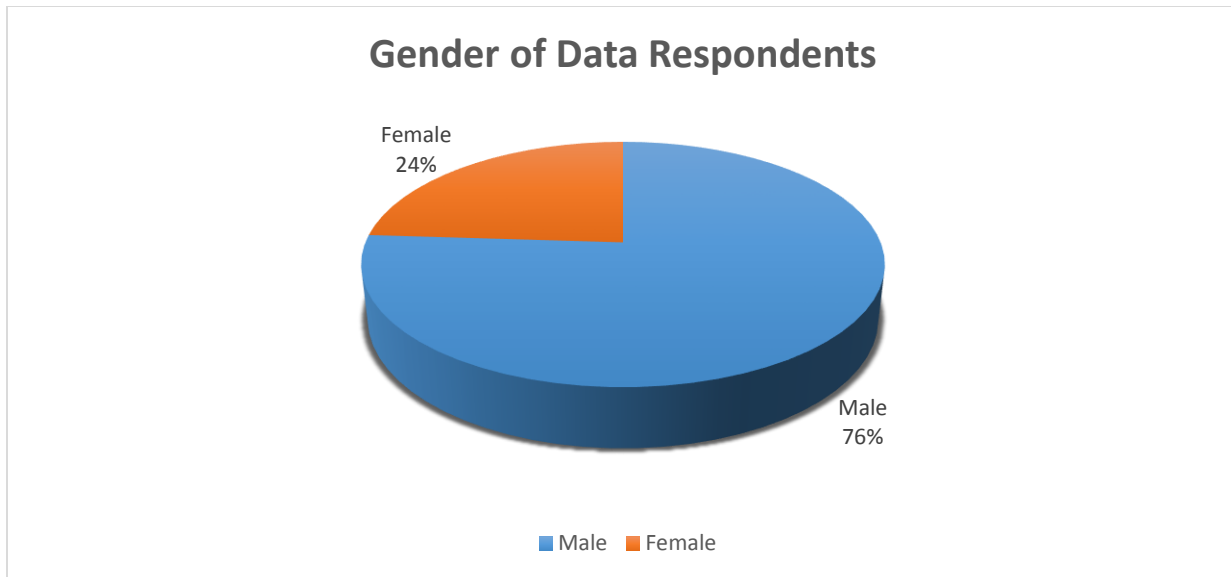
	Frequency	Percentage
Gender		
Male	19	76%
Female	06	24%
Age		
Below 35Years	10	40%
36-45Years	05	20%
46-60Years	10	40%
60+Years	00	00%
Educational Level Of Respondents		
Up to Junior High School (Basic Education)	02	8%
Senior High School/Vocational	8	32%
Tertiary	15	60%
Years Living/Working Within The District		
Less than 2 years	00	00%
(3-10) years	01	4%
More than 10 years	24	96%
Total Estimated Income Level per month		
Below GHC1,000	10	40%
GHC1,000-GHC2,000	08	32%
Above GHC 3,000	07	28%
Total	25	100%

Source: Field Data Survey, December 2014-March, 2015

4.3.1 Gender of Data Respondents

The study sought to examine the proportion of males to females that were interviewed in this research work. This is presented in figure 4.1

Figure 4.1: Gender of Data Respondents



Source: Field Data Survey, December 2014-March, 2015

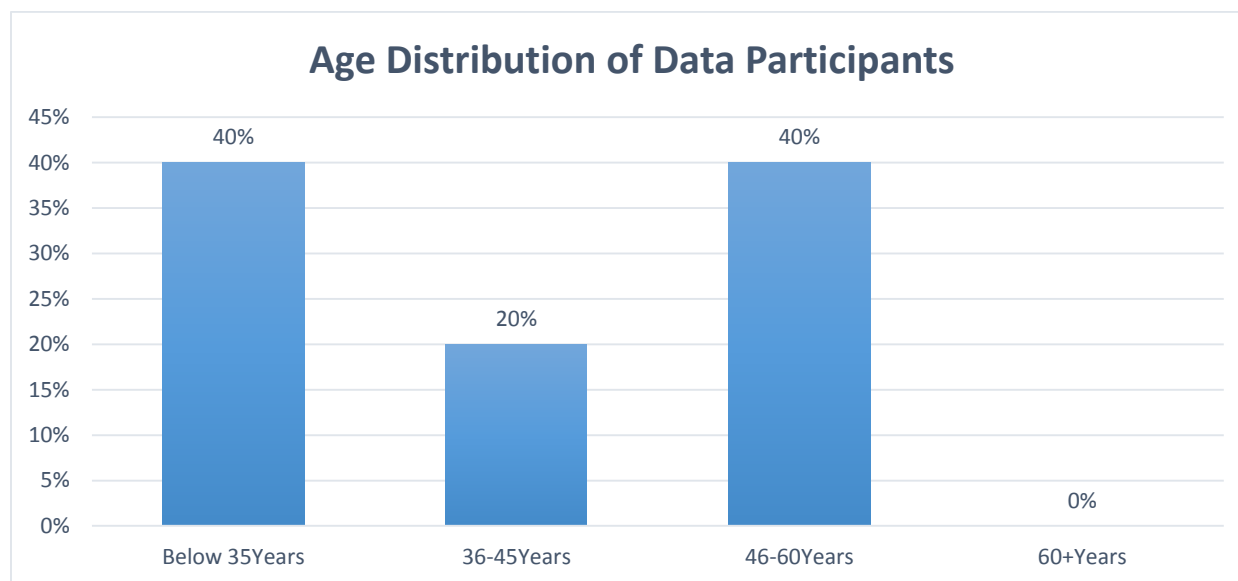
There are about 76% of the sampled population that are males while only 24% were women. This is against the backdrop that, within the Ketu South municipality, there are more women than men yet the number of men in sensitive critical positions within the district is more than women. This may be due to the willingness of parents in the past to send more males children to school than their females' counterparts. The GSS, (2010) census data puts women at 52% and males at 48% yet more males are gainfully employed and are in top positions than women within the municipality. The difficulty for this situation in the KSMA is that, while women are in the majority and are the drivers of the local economy, it appears from the findings that they are not

adequately represented at the corridors of power to lobby for their interest. KSMA could do more to encourage and engage more women in active decision making.

4.3.2 Age Distribution of Participants

Human resource is a very essential aspect of any productivity matrix and for that matter the age distribution of the sampled population was essential. This is to establish what proportion of the total population of the assembly is within the independent (economically supports themselves) and dependent (are economically supported) economic group

Figure 4.2: Age Distribution of Data Participants



Source: Field Data Survey, December 2014-March, 2015

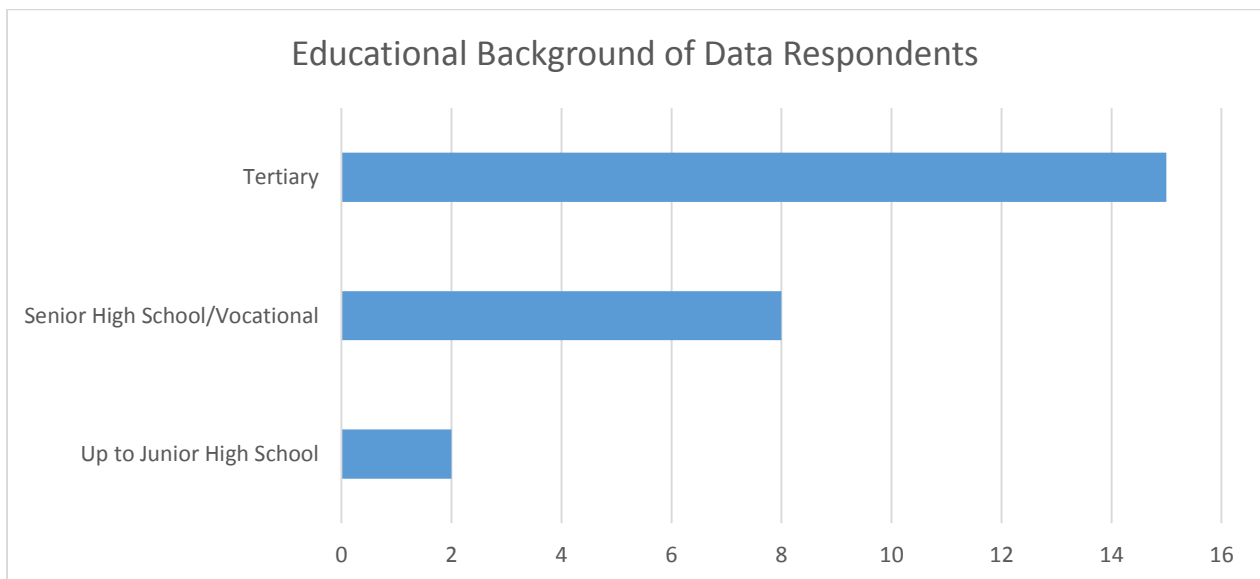
Figure 4.2 shows that 40% of the sampled population for this study falls below the age of 35 years while 20% are between the ages of 36 years and 45 years and the remaining 40% being for individuals between the ages of 45 and 60 years. This is also to establish the number of them that falls within the economically active population that supports the local economy. This study

however recorded a 0% for persons above age 60 years. The data, clear that the majority of the individuals within the assembly falls within the economically active working population and as to whether they are actually working or not is a different matter. The good thing here is that, the population is largely youthful and energetic and as such human resources could easily be trained and harnessed into productive activities to stimulate the growth and the development of the local economy within the area.

4.3.3 Educational Background of Data Respondents

The educational background of the respondents informs the researcher about the academic qualification of the respondents and how that could influence the quality of their responses and understanding of issues

Figure 4.3: Educational Background of Data Respondents



Source: Field Data Survey, December 2014-March, 2015

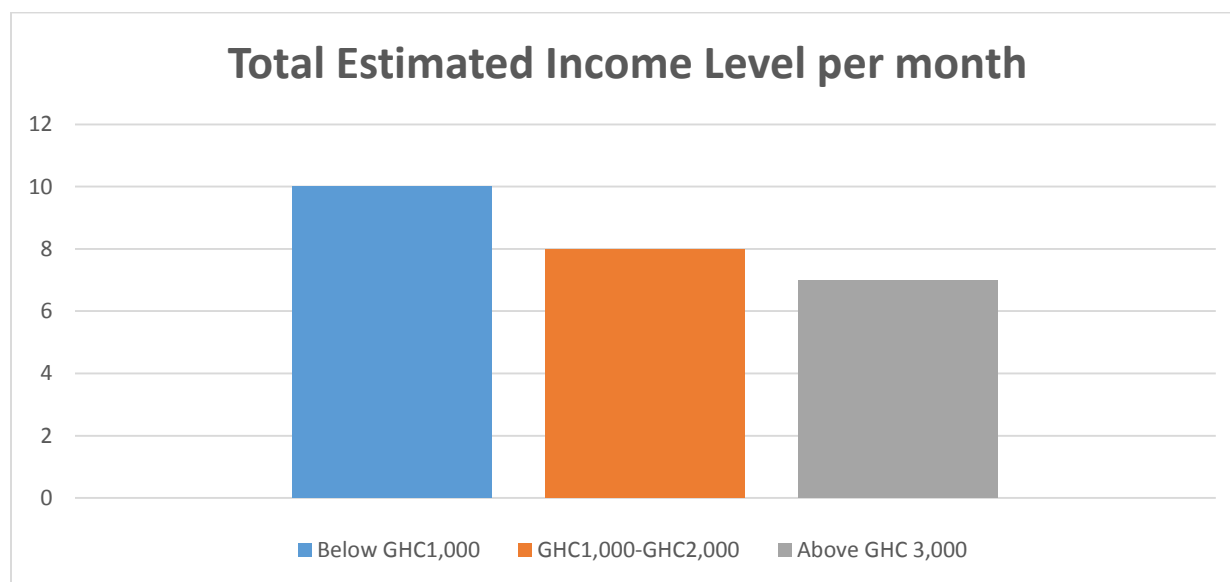
From figure 4.3 above, 60% of the respondents of the sampled population have all attained tertiary educational level (Diploma, Higher National Diploma and Degrees) while 32% have either

completed Senior High School or Vocational educational certificate holders. The remaining 8% have up to Junior High School education and are quite literate. Education is very essential in poverty reduction especially for women and since the local economy rests largely on the trading activities of women, it is necessary to encourage their education even at a very tender age.

4.3.4 Total Estimated Income Level per Month

The data on the total estimated income per year is to understand and categorize the data respondents into lower or middle income earners. This is critical to identify their spending pattern and how likely to identify the critical condition of those living on less than a dollar a day.

Figure 4.4: Total Estimated Income Level per Month



Source: Field Data Survey, December 2014-March, 2015

Figure 4.4 shows the data on total estimated income of respondents. In terms of the estimate incomes of residents, there are over 60% of respondents who indicated that they earned below GHC 1000 on the average per month while 32% of the sampled population for this study earned income between GHC1, 000-GHC3, 000. The remaining 28% earned over GHC3, 000 on the average. This is shown in figure 8 above. Most of the data respondents appears to be upper lower

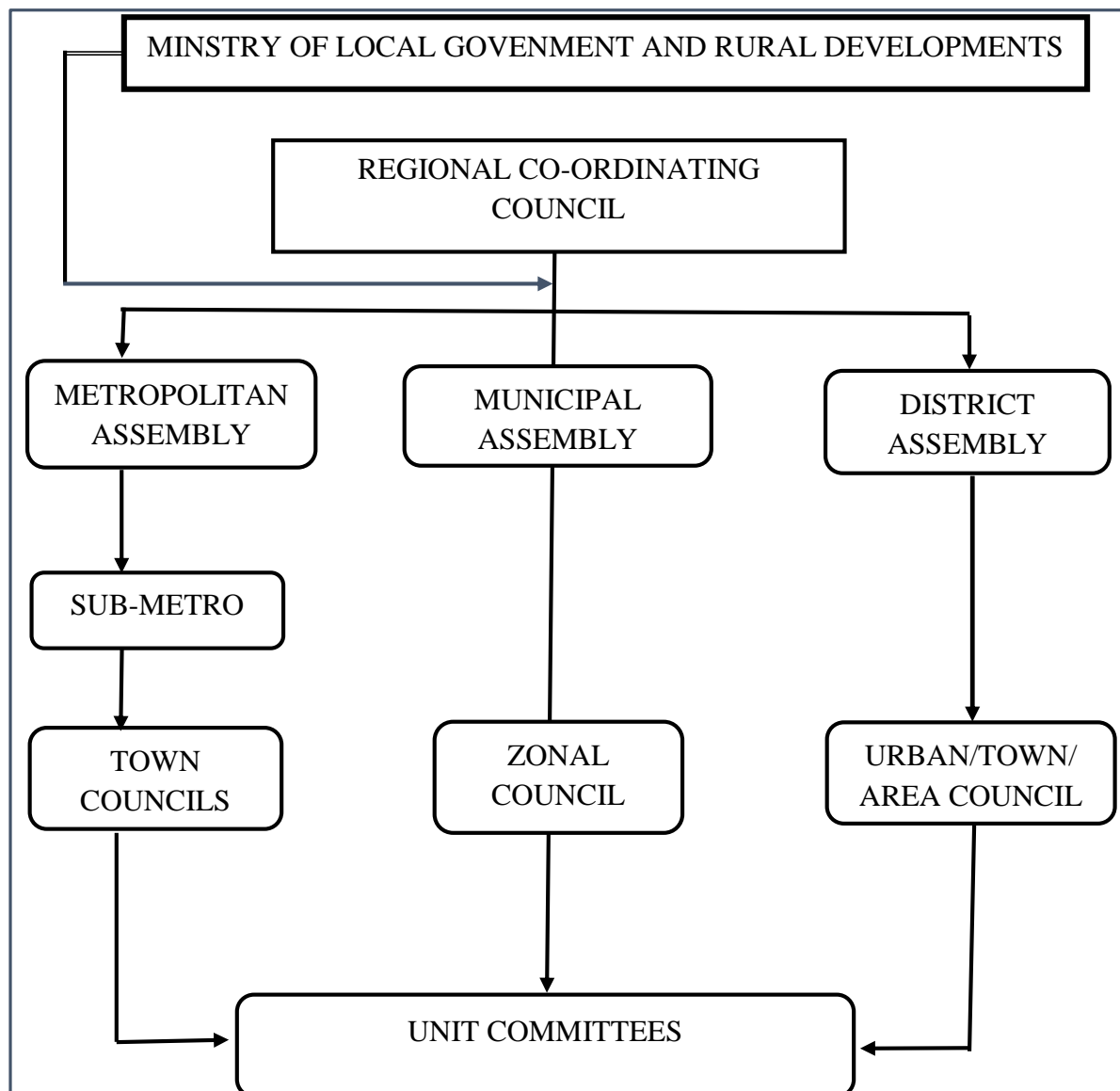
income earners (60%) with about the remaining 40% falling within the lower middle income earners category. Most of these respondents are, directors, senior civil servants and revenue collectors for the assembly and if their income level is anything to go by, it is likely that the majority of the people in Ketu South could be earning far less than this. This low level of income would affect saving, investments and invariably development.

4.4 THE CURRENT STATE AND STRUCTURE OF FISCAL DECENTRALISATION

The current state and structure of fiscal decentralization looks at how fiscal decentralisation is doing in terms of performance and practices while structure deals with the stages that the fiscal decentralisation goes through, specifically, at Ketu South Municipal Assembly as stipulated in the Local Government Act of 1993, Act 462.

Under this objective, the study sought to examine the current structure of fiscal decentralization in terms of its sources and ability to propel the development of the local economy. This involves harnessing and mobilizing local resources in the area of human, financial and natural resources in the development of the municipal assembly. This section also examines the various sources of revenue to the assembly and the percentage of resources they are currently generating and how these resources are disbursed with the sub-district structured in funding and financing of development projects that have the capacity to stimulate local economic development.

The structure of local government is a four (4)-tier and a three (3)-tier levels in Ghana. KSMA due to its status as a municipal assembly is practicing a three-tier level that, is the municipal assembly itself, the zonal councils and the Unit Committee's in KSMA. This is diagrammatically represented as part of the larger diagram in the next page as Figure 4.5.

Figure 4.5: Structure of Local Government and Fiscal Decentralization

Source: Field Data Survey, December 2014-March, 2015.

The figure above indicates the current structure of local government and fiscal decentralization in Ghana. It involves a four-tier metropolitan assembly and a three-tier municipal and district assemblies. According to this structure, the metropolitan/municipal and district assemblies are the

revenue generating bodies locally. This revenue when generated is to be distributed to the various towns and zonal councils and unit committees to ensure that development is achieved at the very grassroots which is the very purpose of decentralization in the first place. The locally generated revenue is supposed to be supported by the share of the national income in the form of common fund targeted at the development of the local structure to bring governance closer to the people. This was provided for by chapter 20 of the 1992 and further collaborated by Act 462. This means that, fiscal decentralization consist of locally generated funds and any other source of funding and financing available to the district for the purposes of development. Accordingly, the sources of funding to the local government and KSMA specifically is discussed below.

4.4.1 Sources of Revenues to Ketu South Municipal Assembly

There are various sources of funding to the MMDAs in Ghana. The notable ones are the DACF, IGF, DDF and Donor funds among others. This was provided for not only in the constitution of the Republic of Ghana but also the Local Government Act of 1993, Act 462. According to the Fiscal Decentralization Unit of the Ministry of Finance, 7.5 % of all government revenues is allocated and shared to the MMDAs used on a formula. An official of the Unit intimated:

“...In theory and by law, these monies are statutory funds and must be paid at all cost without any further delay. But in practice, the payment of these funds is informed and influenced by the availability of funds in the national kitty and it has become evident in the last couple of years or so, government is temporary facing funding challenges”

The Ministry of Local Government and Rural Development (MLG&RD) has launched comprehensive decentralization policy framework which among other things seeks to ensure

development. The focus of the fiscal decentralization policy is to amongst other things deepen political, administrative and fiscal decentralization in Ghana and to reaffirm the Government's commitment to the policy of decentralization in conjunction with people's participation. This clearly indicates that, a timely, free flow of funds to the various MMDAs is very critical to the success and achievement of local economic development in these areas. But most importantly, it is not possible to achieve fiscal decentralization without a political and administrative decentralization. Political decentralization is where the district is seen to be respecting and responding to the views of the local elected legislators within the assemblies and also involving the residents to feel a sense of belonging in the formulation and implementation of developmental policies and projects. Administrative decentralization, on the other hand, the redistribution of authority, power, responsibility by the central governments. It appears from the findings of this research that, there is a significant amount of political and administrative decentralization as well as fiscal decentralization. As a result the, various sources of funding such as Internally Generated Fund (IGF), the District Assembly Common Fund (DACF), the DDF and other donor funds and voluntary donation would be examined to appreciate the level of effectiveness of fiscal decentralization on local economic development

4.4.1.1 Internally Generated Fund (IGF).

Internally generated funds are becoming increasing critical in the finance and management of any state institutions. In the past, due to the fact the central governments make funding available to the local authorities, they are unwilling to invest effort and money in revenue mobilization and generation strategies. This is no longer the case in recent times especially in the local governments' structure in Ghana. Internally generated funds are incomes or monies that are raised by the local authority from within its jurisdiction for the purpose of local economic development. IGF are

normally rates and levies charged by a local authority to provide for their expenditure (recurrent and capital) in the management and administration of the local area as well as the provision of basic social amenities. Data available showed that the major revenue items for the KSMA are taxes on property, property income, sale of goods and services, fines, penalties and forfeiture as well as miscellaneous and other unspecified receipts. Other minor ones are incomes from market tolls, rates and business operating permits and public toilets.

The assembly uses all these monies in paying for wages and salaries of her workers that are on KSMA payroll, buy logistics to work with and also service existing vehicles and maintenance works. Apart from the customs division of the Ghana Revenue Authority (GRA), which collects revenue on behalf of government, all revenues collected within the municipality are by the assembly. Even basic rate formerly known as “lampoo” deducted by the Controller and Accountant General Department in Accra for all workers not only of the assembly but within the jurisdiction of the assembly are sent back to the assembly that the assembly classifies as part of its IGF.

This was opined by the Chief Finance officer of the assembly

“Everything in a form of revenue here is collected by the Assembly. Even basic rates taken every years rates deducted by the Controller and Accountant General in Accra is paid straight into our accounts for all worker within the assembly”

Findings also reveal that, the central government have no direct control over the revenues of the local assembly. The central government, however, gives modalities and guidelines with regard to accountability and best accounting and governance practices. The vast majority of decisions

regarding the collection and use of the IGF is taken by the local authority with approval from the assembly members. Below are some of the key sources of IGF for Ketu South assembly as recorded for the years 2010-2014?

Table 4.3: Major components of IGF for Ketu South Municipal assembly

S/N	REVENUE HEAD	2010 (GH¢)	2011 (GH¢)	2012 (GH¢)	2013 (GH¢)	2014
1.	Taxes on Property	81,666.63	81,304.00	38,695.97	18,940.86	25,046.33
2.	Property Income	26,169.00	37,450.00	24,200.00	45,119.84	60,000.00
3.	Sale of goods and Services	280,214.66	270,283.05	238,210.78	267,589.20	381,234.62
4.	Fines, Penalties and Forfeit	18,006.10	11,981.90	10,266.90	10,903.00	9457.21
5.	Miscellaneous and Unspecified Receipts	75,025.07	94,774.28	73,542.28	102,764.95	120,458.00
	TOTAL	481,081.46	495,793.23	389,915.93	445,317.85	596,196.16

Source: Field Data, December 2014-March 2015

*note. These figures are nominal values and do not take into consideration depreciation of the cedi and inflation since the cedi is an unstable currency

The table over above shows the major components of IGF revenues to the municipal assembly. A critical examination of the table indicates a certain trend of the performance of the local economy in the area. Examining the figures from the data indicates that there is no consistent year to year improvement in revenue mobilization. The revenue keeps fluctuating from year to year. For

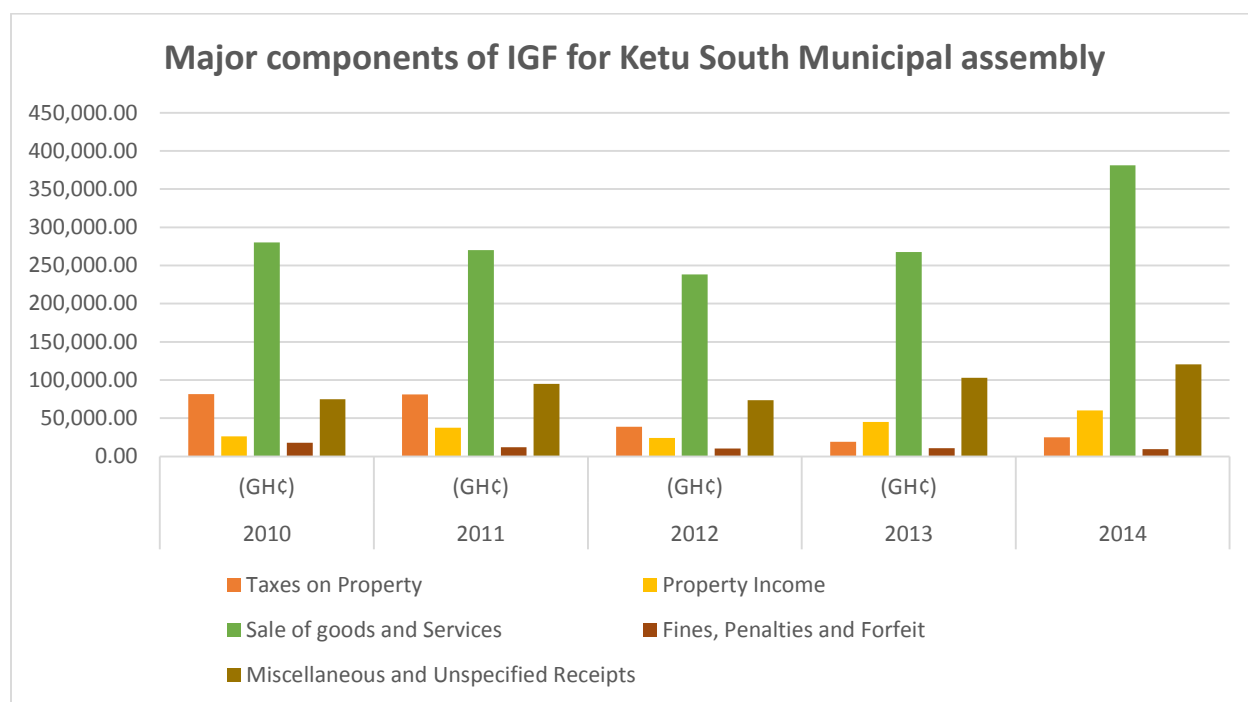
example whiles revenue for taxes on property was GHC 81,666.63 in 2010, it reduced to GHC 81,304.00 in 2011, and further reduced to GHC 38,695.97 in 2012 and plummeting further to GHC 18,940.86 in 2013 before marginally picking up to GHC 25,046.33 in 2014. The table also showed that whiles taxes on property is falling property income on the hand for the same periods seem to be increasing. There is a reduction in the performance of property income from GHC 37,450.00 in 2011 to GHC 24,200.00 in 2012 but it has increased to GHC 45,119.84 and GHC 60,000.00 respectively in 2013 and 2014. This is a better performance in the revenue head of income from property than taxes on property. This is possible in a regime where prices and rents of landed properties keep increasing and there has not been a revaluation exercise on all ratable assets of the assembly to inform the fixing of a new price.

Cumulatively, there was a reduction in revenues for the year 2012 from GHC 495,793.23 to GHC 389,915.93, even though it increased in 2013 to the tune of GHC 445,317.85, the increase was still below that of 2011 of GHC 495,793.23. And was increased to GHC 596,196.16. It is clear that excluding any wrongful use or misappropriation of revenue, more resource would inure to the development of the area. Thus one of the clear points was the resolve of the assembly to do more in terms of revenue mobilization. This effort is however not yielding the needed result due to the slow in economic activities within the municipality. The district budget officer intimated that amongst other things,

“We feel that private business and micro business men and women are feeling enough hardships from the economy especially due to inflation and depreciation of the cedi to major trading currencies. He also indicated the exchange rate between the Ghana cedi and the CFA has slowed business within the municipality since most goods and products are brought from Togo and the exchange rate has made goods very expensive. Economic activities in the municipality is more influenced by what is happening in Togo than what is happening in the rest of Ghana because over 90% of goods is from Lome”.

This has rather affected the resolve of KSMA to raise more revenue internally.

Figure 4.6: Graph Showing Major Revenue Heads Ketu South Municipal assembly



Source: Field Data, December 2014-March 2015

It is evident from the graph that apart from the sale of goods and services, which brought in relatively a stable increase in revenue performance, there other revenue heads keep fluctuating. Also, the majority contributor to the IGF of the assembly is revenues of the assembly is sale of goods and services.

Below is a table 4.4 of the projected and actual revenues of the assembly from 2006 to 2014 presented in both table and diagram form.

Table 4.4: Details of Budgeted and Actual Internally Generated Fund (IGF) Revenue to the KSMA

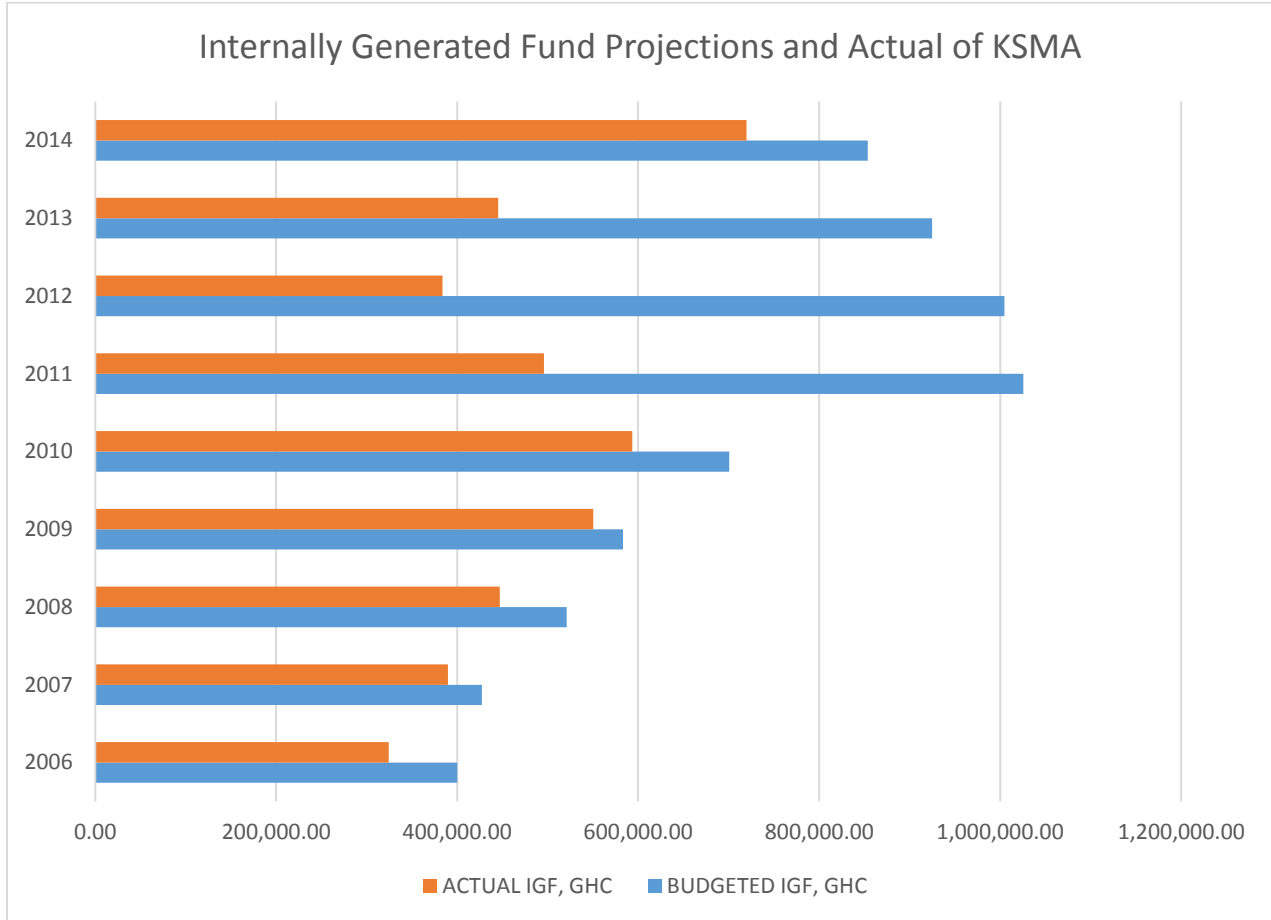
YEAR	BUDGETED IGF, GHC	ACTUAL IGF, GHC
2006	400,000.00	324,198.94
2007	427,248.00	389,749.35
2008	521,023.00	446,997.62
2009	583,103.00	550,345.00
2010	700,460.00	481,081.46
2011	1,025,762.00	495,793.23
2012	1,004,681.00	383,915.93
2013	924,691.00	445,317.65
2014	853,706.00	596,196.16

Source: Field Data, December 2014-March 2015.

*note. These figures are nominal values and do not take into consideration depreciation of the cedi and inflation since the cedi is an unstable currency

The data in table 4.4 shows that revenue has been falling. This is evident in the budgeted revenues of the assembly from 2012. One can argue that, the assembly's poor revenue performance has led to projections to continually decrease from GHC 1,025,762.00 in 2011 to GHC 1,004,681.00 in 2012. This was further projected as a drop to GHC 924,691.00 in 2014 and GHC 853,706.00 in 2014. The poor revenue performance as a result of the decrease in revenue mobilization could be attributed to the slow performance of the local economy resulting from the depreciating of the currency against the CFA where most goods and commodities are bought form for sale.

This is represented in the figure 4.7 below

Figure 4.7: Internally Generated Fund Projections and Actual of Ketu South Assembly

Source: Field Data, December 2014-March 2015.

From the findings, one can argue from figure 4.7 above that, both revenue projections and actuals were increased from 2006 to 2010 where a further increase in revenue projection only led to a drastic reduction in the actuals. Both projections and actuals have since 2011 been on the decrease giving an indication of the difficulty the assembly is having in raising enough funds to finance its developmental projects.

4.4.1.2 The District Assembly Common Fund (DACF)

Another source of funding the activities of the district assemblies in Ghana is the DACF. The DACF is one of the most important and most critical sources of funding local governments in Ghana especially where the local authority do not have any vibrant local economy to generate IGF. The DACF is a statutorily mandated fund from central government to the local government to support their operations and capital investment projects. This funds was created such that young MMDAs who do not have any buoyant IGF generating revenue can still manage and survive in order to stimulate growth and sustain local economic development to ensure that the national cake is shared relatively fair.

One may argue that, once the purpose for these funds is for local development, whether, they are coming from international organizations or from the central government, they are all still part of decentralization that is necessary to boost local economic development. In-fact, it is one of the most reliable sources of funding local government activities as local contractors are more comfortable taking up contracts that are DACF funded because, once government can hardly be broke, there is assurance that the monies would be paid. This was opined and the municipal budget officer who stated that

“People have argued that funds from the central government are not part of fiscal decentralization and that we should focus on IGF. The truth of the matter is that, there are a lot of revenue generated from the Aflao border by government and so part of this should be given to us through DACF. The things about DACF is that, no matter how long it takes, it will surely come, so local contractors are more comfortable taking up contract they know are DACF funded even though

recently, it has become extremely very erratic but even that, it is still better than the DDF which has not been released since 2012”

Quite, recently, there has been challenges with the DACF timely allocation to the assembly. The delay in the release of the funds on time is affecting development in the area. The funds paid in arrears is taking more than necessary to be released thereby causing undue delay in the completion of projects. According to the Municipal Finance Officer of Ketu South Assembly, the late release of the funds is his personal headache as he has received attacks from contractors on his personal life to the extent that he hardly answers certain calls from specific individuals.

He opined that,

“For example the money is paid quarterly in arrears. That means that, the first quarter would be paid after the end of March. Unfortunately, the first quarter releases from DACF to KSMA was received on 11 November 2014 and as of March ending 2015, the assembly has not receive their releases for the third and fourth quarters of 2014 including the first quarter of 2015”

DACF funds are ‘tied grants’ that have a recurrent expenditure of purchase of sanitation vehicles, training and capacity building, rural electrification, employment generation, self-help projects, public housing delivery projects, contingency and disaster management programs. Others are district education fund, establishment and strengthening of sub-district structures, malaria prevention and provision for welfare and physically challenged persons. Part of the function of government is allocated to the various local areas to bring governance closer to the people and it is only proper that government makes financial provision for the performance of such functions.

Table 4.5 below shows the Budgeted and Actual DACF for the years 2006 to 2014.

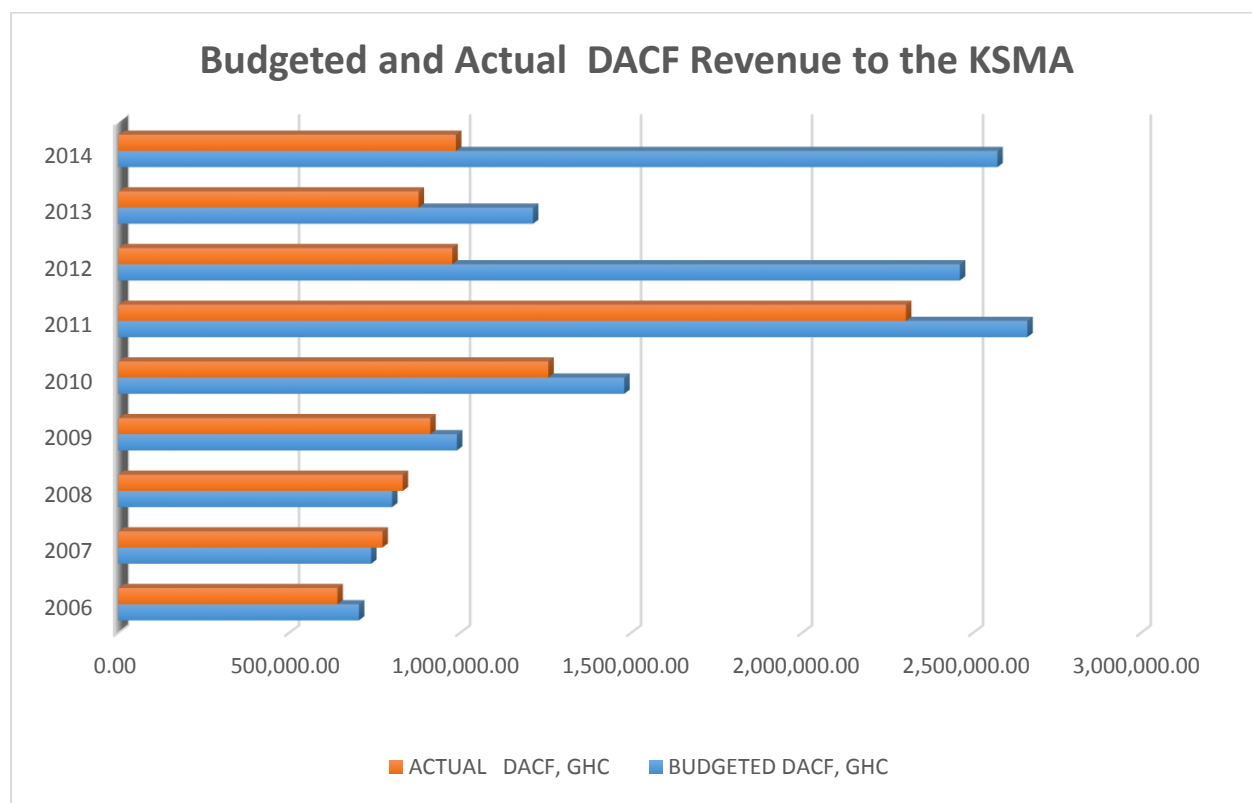
Table 4.5: Details of Budgeted and Actual District Assembly Common Fund (DACF) Revenue to the KSMA

YEAR	BUDGETED DACF, GHC	ACTUAL DACF, GHC
2006	702,980.00	640,128.65
2007	738,480.00	771,828.63
2008	800,000.00	830,983.00
2009	9,897,678.00	911,598.26
2010	1,478,787.00	1,256,765.56
2011	2,660,000.00	2,302,452.58
2012	2,460,000.00	976,126.74
2013	1,211,867.00	877,719.33
2014	2,570,560.00	986,662.16

Source: Field Data, December 2014-March 2015

*note. These figures are nominal values and do not take into consideration depreciation of the cedi and inflation since the cedi is an unstable currency

From the table, the assembly received more DACF than projected in 2007 where GHC 738,480.00 was projected but GHC 771,828.63 was received and 2008 where the actuals were GHC 830,983.00, over GHC 30,000 more than the projected value of GHC 800,000.00. Ever since, the assembly has always received less than they projected and since 2012, there is a steady decrease in the actual amount of DACF allocation from the central government to the local government vis-à-vis the projected and actuals. This is represented in figure 4.8 below

Figure 4.8: Budgeted and Actual DACF Revenue to the KSMA

Source: Field Data, December 2014-March 2015

The highest DACF to the assembly received in 2011 when the assembly received GHC 2,302,452.58 for the financial year. The lowest however was in 2014 when the assembly received about GHC 986,662.16. This clearly implies that central government allocation to the local governments in the form of DACF is on the decrease. One could then argue that, amongst other things, one of the reasons for this decrease in the challenges facing central government due to its current classification as the lower level middle income country hence aid and budgetary support from the international organization as well been on the decline.

4.4.1.3 District Development Fund (DDF)

District development fund (DDF) is one very good and reliable source of revenue to the local assemblies. The DDF is a performance based source of funding where a team from the central government would normally come and assess the performance of the district and either pass them or otherwise. It is a fund from both government and donor partners to encourage the local assemblies to perform very well in terms of auditing, accounting practices and internal revenue mobilizations. Unlike the DACF, which is allocated to all local government in Ghana, the DDF on the other hand, is given to only those MMDAs that have performed satisfactorily to the team of experts examining the districts. It started in 2009 as a way of motivating the local authorities to do better. It is also one of the sources of funding local governments in Ghana and KSMA for that matter. The purpose of the fund was explained by the municipal planning officer. According to him, the municipality has passed all assessment processes since the beginning of the DDF fund program with the KSMA.

“The DDF is a district development fund that started in 2009. It is a block grant purposely meant for development and it has come to help a lot in the development of the district. A district needs to be assessed especially on revenue performance to qualify for the fund. However, we are yet to receive it for 2012, 2013 and 2014 even though we were inspected and have qualified for disbursement for 2012 and 2013. We are yet to be assessed for 2014 and am very confident we will pass, however, some form of disbursement from 2010 and 2012 continues to come in”.

The DDF is one of the intergovernmental sources of funding available to the Ketu South Municipal Assembly but has faced disbursement challenges since 2012. This obviously has the tendency to affect effective fiscal decentralization and invariably will negatively affect the local economic

development of the area. The municipal assembly has since 2012 not received funding from the DDF but funds are arrears keep coming into the DDF account available to the assembly. Thus it appears that there is funds received by the assembly up to 2014 yet the assembly claims it has not received its allocation since 2012 and that what they have in arrears.

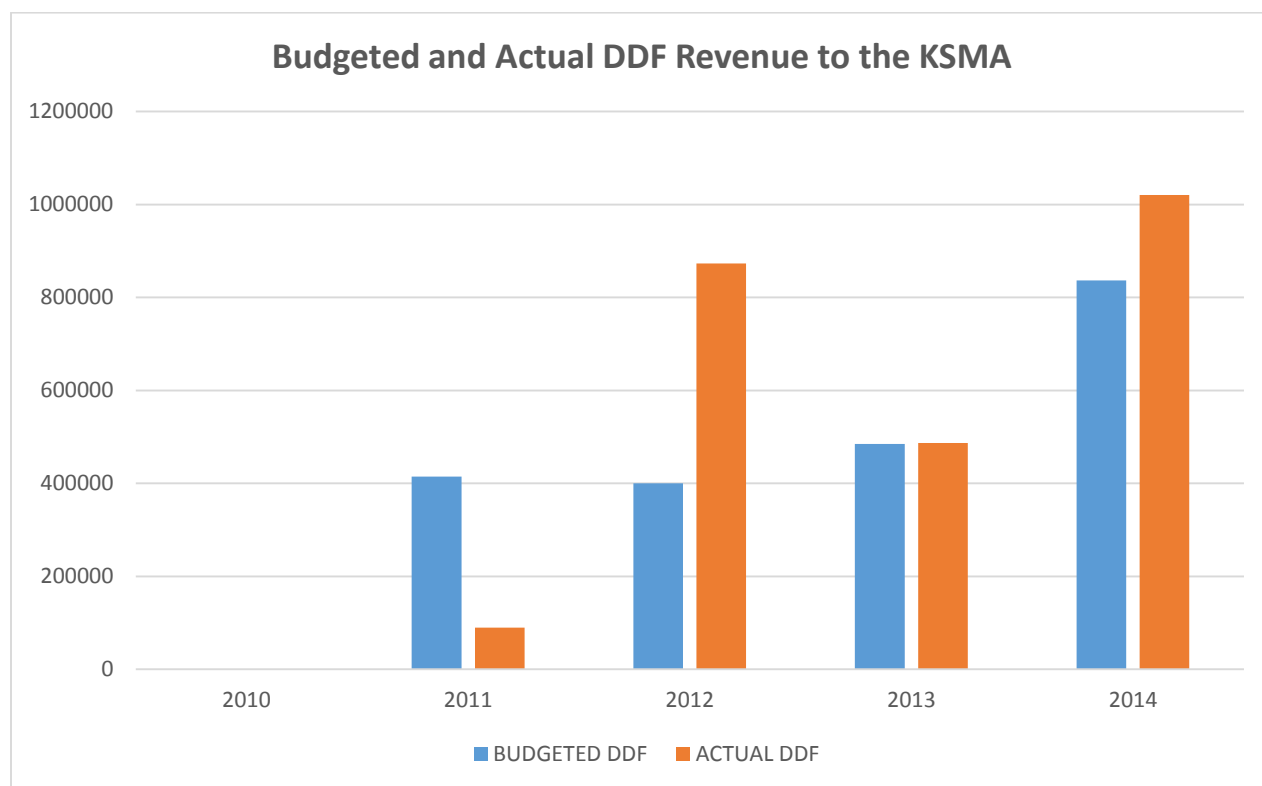
Table 4.6: Details of Budgeted and Actual DDF Revenue to the KSMA

YEARS	BUDGETED DDF, GHC	ACTUAL DDF, GHC
2010	200,000.00	00
2011	414,732.20	89,399.11
2012	400,000.00	872,792.63
2013	484,972.00	487,154.00
2014	836,249.00	1,020,392.15

Source: Field Data, December 2014-March 2015

*note. These figures are nominal values and do not take into consideration depreciation of the cedi and inflation since the cedi is an unstable currency

According to the Municipal Finance Officer and the Municipal Budget officer, DDF funds started in 2009 and in that year no allocation was made to the assembly. Subsequently, the assembly started receiving allocations based on assessment and satisfactory performance. GHC 89,399.11 was released in 2011 and about GHC 1,020,392.15 was allocated to the assembly in 2014. The assembly however claims that these are funds from previous years other than funds from 2013 and 2014 itself.

Figure 4.9: **Budgeted and Actual DDF Revenue to the KSMA**

Source: Field Data, December 2014-March 2015

Data from the diagram indicates that, apart from 2010 where no allocation were made and 2011 where projected revenue were more than actuals, in the years 2012, 2013 and 2014, the actuals were far in excess of the projected funds form DDF.

4.4.1.4 Donor and Voluntary Funds

Donor sources of funding is one important source of funding the activities of district assemblies. The budget of central government and local governments all over the world are funds by international organization either governmental or non-governmental. The Ketu South Municipal Assembly is no exception. The assembly has singularly benefitted immensely from DANIDA

funded projects in the area of water and sanitation, community water projects, education and the building of school blocks amongst others. This was mentioned by the Municipal Chief Executive, the Coordinating Director and the Municipal Engineer.

The Chief Executives of the assembly said this when he explained to me the contributions of these international organizations.

“The Ketu South Municipal Assembly has received funding tremendously from the World Bank, United Nations (UN), European Union (EU), Department for International Development (DFID), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Danish International Development Agency (DANIDA), Japan International Cooperation Agency (JICA), The Chinese Government, United States Agency for International Development (USAID), Canadian International Development Agency (CIDA), Korea International Cooperation Agency (KOICA). “All these funds have specific project they perform and they come for a certain number of years. Of all these donor funds, DANIDA seems to have the most impact within the municipality with its five (5) year development project within the assembly.

DANIDA was in the district for five years and evidence available displays the amount of efforts they have invested in ensuring that every penny is appropriately accounted for. Also donations from individuals and non-governmental organizations have been one of the significant sources of revenue to the Ketu South Municipal assembly. This was manifestly clear in the words of the Presiding Member of the assembly. He postulated that:

“The assembly also benefits immensely from individual contributions. Mr. Livingstone Futukpor who single handedly put up a fully furnished Nursery and a Kindergarten building for the local

community in Klikor, Agbozume at a cost of GHC 30,000.00 Mr. David Amesinu who put up a Nursery school block for the Aflao-Avoeme community at a cost of GHC 120,000. Mr. Walkman Kofi Atsu who put up a three unit classroom block at Agbozume for the local community at GHC 50,000.00. Life-Time Wall, an NGO has also constructed 150 bore holes at each. At GHC 6,000.00 each”

All these other sources of funds other than the traditional IGF and intergovernmental transfers help the assembly in her quest for development. These other sources of funds from donors within and without the municipality also help a great deal in filling the much need developmental gaps in terms of funding the assembly the assembly.

The table on the below indicates the various sources of donor funds to the Ketu South assembly from 2010 -2013.

Table 4.7. Table showing Donor funds of the Assembly from 2010 - 2013

TYPE OF FUND	YEARS			
	2010	2011	2012	2013
CBRDP/VIPI	32,810.72	25.02		
EU Micro Project Fund	7,000.00	*	**	**
Heavily Indebted Poor Country (HIPC)	36,000	115,600.00	46,000	25000
LSDGP	256,900.54	212,881.63	26,702.70	**
MSHAP Fund	3,948.00	28,780	100	11,561
GSFP	**	56,759.40	587,136.24	587,136.24
Total	336,659.26	414,046.05	659,938.94	623,697.24

Source: Field Data, December 2014-March 2015

Note: * means that data was not available ** Means there was no funding in that year.

This however, excludes individual donation and donation in projects. This is strictly in terms of monetary donations.

A total amount of GHC 336,659.26 was received in 2010, GHC 414,046.05 was accessed in 2011 and GHC 659,938.94 and GHC 623,697.24 were received by the assembly in 2012 and 2013 respectively. For example in 2012, revenue to the assembly from donor funds (GHC 659,938.94) alone were almost more than two times what the assembly could internally generated (IGF in 2012 is GHC 383,915.93). Thus the actual revenue for the KSMA from the year 2010 to 2014 is presented in the next page.

Table 4.8. Actuals DACF, IGF DDF and Donor Funds from 2010 to 2014 for KSMA

Year	DACF	IGF	DDF	Donor Funds	TOTAL
2010	1,256,765.56	593,403.00	200,000.00	336,659.26	2,386,827.82
2011	2,302,452.58	495,793.23	89,399.11	414,046.05	3,301,690.97
2012	976,126.74	383,915.93	872,792.63	659,938.94	2,892,774.24
2013	877,719.33	445,317.65	487,154.00	623,697.24	2,433,888.22
2014	986,662.16	719,756.67	1,020,392.15	**	2,726,810.98

Source: Field Data, December 2014-March 2015

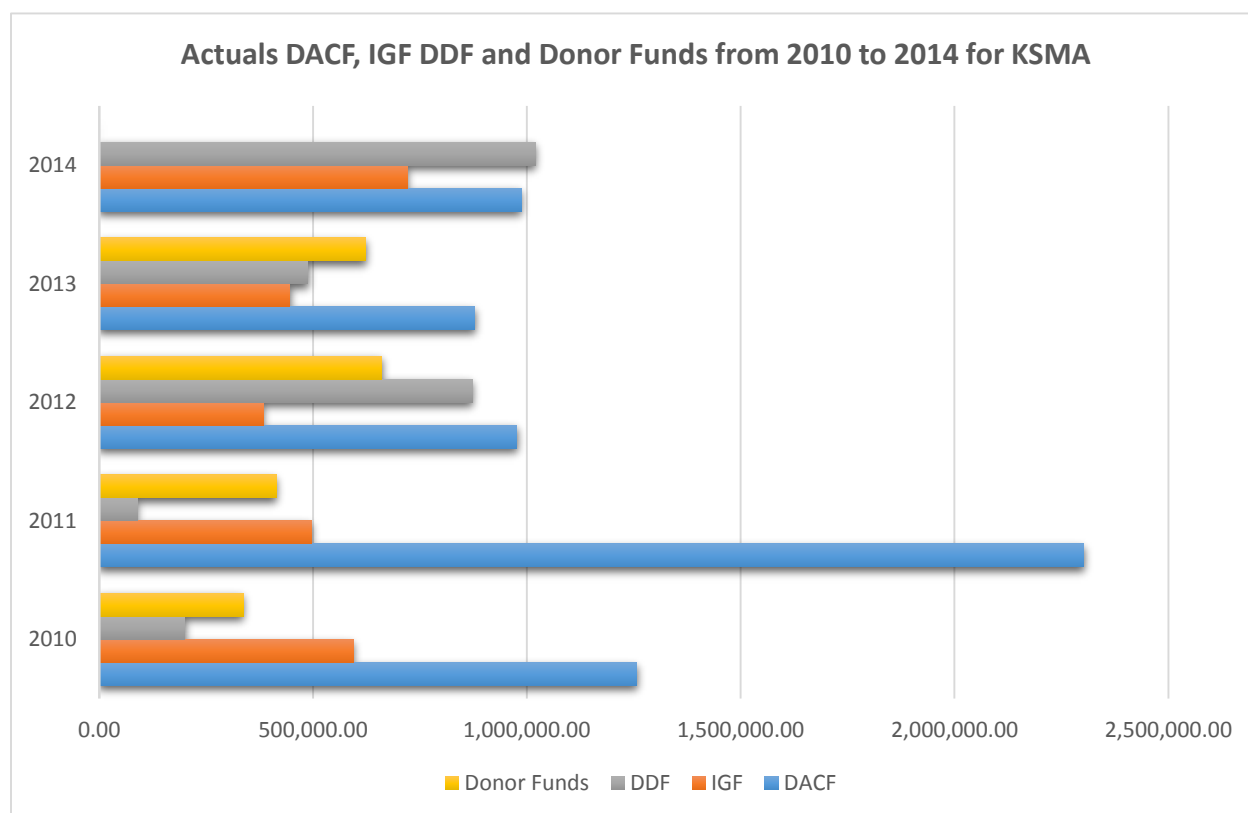
Note** there was no data available for Donor funds in 2014.

*note. These figures are nominal values and do not take into consideration depreciation of the cedi and inflation since the cedi is an unstable currency

Examining table 4.8, the highest revenue to the assembly was generated in 2011 to the tune of GHC 3,301,690.97 while the lowest was received in 2010 to the tune of GHC 2,386,827.82. Generally, there has been a reduction in the total revenue of the assembly since 2011. This may be attributed to among other things, challenges that the national government is facing in terms of foreign budgetary support, trade and budget deficits and the energy crisis which has fundamentally

affect productivity and business across the country and thus revenue mobilization efforts. Evidence from the data suggests that DACF is the most influential source of funding to the Ketu South Municipal Assembly in terms of quantum. One can argue that, all things being equal, DACF would have the most effect on development than the rest of the other sources of funding. DACF alone formed about 69.7% of total revenue generated by the assembly in 2011 and approximately 36% in 2014. However, IGF contributed about 26% of total revenue while DDF constitute about 37% in of total revenue in the year 2014. This is shown in figure 4.10 as well

Figure 4.10: Actuals DACF, IGF DDF and Donor Funds from 2010 to 2014 for KSMA



Source: Field Data, December 2014-March 2015.

The highest IGF raised within the five-year period under analysis by the assembly was GHC 719,756.67 in 2014 which is still lower than the lowest DACF of GHC 877,719.33 generated by

the assembly in 2013. This clearly showed the essential nature of DACF and for that matter the critical role of intergovernmental source of funding the activities of local authorities. Challenges in DACF affects the ability of the local authorities to raise local revenue due to the fact that, they need resources and logistics in order to mobilize local funds which are mostly provided for by the central government in the form of DACF. Harnessing of local resources for local economic development is therefore a bit of a problem for the assembly without the support of the central government through its intergovernmental funds in the form of DDF and most importantly DACF.

4.4.2 Financing Zonal Council of Ketu South Assembly

There are five zonal councils within the municipality and five (5) Zonal Councils- Aflao Fugo, Some Wego, Some Fugo, Aflao Wego and Klikor. Administratively, there are 39 elected Assembly Members and thirty-nine (39) Unit Committees, eighteen (18) Government Appointees, one Member of Parliament and the Municipal Chief Executive constituting the Ketu South District Assembly with total membership of fifty-nine (59). Zonal Councils areas are very peculiar to the municipal assemblies. Every municipality is divided into various zones for easy governance and revenue mobilization. Most importantly, this is to allow the various clusters of people in the areas to be easily reached with development and local preferences. These zones make the collection of revenue especially business operating licenses and property rates and permit very easy to access and assess.

According to the literature and indeed the Fiscal Decentralization Unit of the Ministry of Finance, intergovernmental transfers are made to the district headquarters for onwards transfer to the various zonal and Unit Committees. The idea is to bring development closer to the local people so that everyone especially the elected ones feel part of the system to give of their best to ensure a

sustain development of the area. Act 462 prohibits the sub-district structure to have the authority to raise revenue within their local jurisdictions. The responsibility to raise revenue apart from the central government in Ghana was given to the local authorities. Finding from this research however indicates that Ketu South have ceded specific revenue area to zonal and Unit Committees. The DACF funds are not given to the Zonal and Unit Committees. This was very obvious from various submission by the officials of the assembly.

“The current structure of local government fiscal decentralization is very simple, government has allocated part of its functions and responsibilities to the local authorities and so it has as well allocated revenues to the local assemblies to carry out those functions. We do not give part of the DACF to the sub-district structures because it is our money to be used by the district”.

When government allocates power and functions to the local authorities, it allocated resources to make the performance of those functions easier. It is quite absurd that the district assembly and in this case the KSMA has by law allocated the performance of some specific functions to the sub-district structure but would not want to give them resources in the performance of their duties. Hence, most Zonal Councils are almost moribund unless the executives are willing to use their own resources to do programs and projects such as capacity building and civic educations on environmental issues.

4.4.3 Financing Unit Committees of Ketu South Assembly

The Unit Committee constitute one of the most critical sub-national agencies in the local government and decentralization structure. They are the smallest unit within the framework of

decentralization in Ghana. It is represented by an assembly man supported by Unit Committees member who man the affairs of the electoral area for four years. The assembly man is responsible for the management and the day-to day decision making that concern the affected electoral area. Unit Committees consist of not more than 15 members made up of ten elected persons ordinarily resident in the unit and not more than more than five other person resident in the unit nominated by the District Chief Executive acting on behalf of the president. As indicated above, there are thirty-nine (39) Unit Communities in the Ketu South Municipal assembly.

In terms of budgeting, the Unit Committees as well as the Zonal Councils are supposed to submit budget which is consolidated in to the Assembly annual budgets and action plans every year. But just as the zonal council, the Unit Committees do not directly receive any financial support from the assembly except projects that the assembly member would be able to lobby for the area. However, unlike the zonal councils within the Ketu South municipal assembly, the Unit Committees are given a special concession where they can raise revenue within revenue points within their jurisdictions allocated to them by the KSMA. The district assembly has ceded certain revenue generation unit to them to raise revenues and this is shared between them and the municipality on a 50/50 basis. According to Act 462, Unit Committees are not revenue mobilization or taxing agencies and must benefit from the DACF. According to the Municipal Finance Officer,

“We have a 50/50 sharing structure with the sub-district structures in terms of revenue sharing. We have ceded areas like basic rates and petty business permits to them and the assembly allocates 50% of whatever an urban council or Unit Committee raised within their jurisdiction”.

This means that unless a sub-district is able to raise a revenue from within its jurisdiction, that local area is not entitled to any financial support from the assembly. This largely defeats the purpose for fiscal decentralization which is that case in the Ketu South Municipal Assembly.

Financial Administration Decree 1979 SMDC221, Financial Administration Regulations, 1979 L.I 1234, Financial Memorandum for Municipal and Urban Councils, 1961, Local Government Act of 1993, Act 462, Financial Administration Act, 2003 Act 654, Financial Administration Regulation, 2004, L.I 1802, Public Procurement Act, 2003, Act 663 touched and control funding and financing activities within the assembly. Local Government Act, Act 462 has made it clear that sub-district bodies are not revenue generating authorities and thus DDF and DACF and indeed IGF generated by the districts should be disbursed to them per the composite budget process. This however is not done in Ketu South Municipal Assembly thus the structure of fiscal decentralization in Ketu South is a little bit reformed from what the law stipulated especially in the area of financing the sub-district structure. Funds are allocated to the municipal assembly from DACF, and DDF for onwards disbursement to the sub-district agencies. The district complain they (KSMA) do not have enough funding from government or if it comes at all it is late. However, as soon as these funds get to the assembly, the decentralization process stops there. The intention of fiscal decentralization that is where the funds are allocated to both the zonal council and the Unit Committee is absent in the Ketu South Municipal Assembly.

4.5 FACTORS IMPEDING EFFECTIVE FISCAL DECENTRALISATION IN KSMA.

Another objective of this thesis was to examine the underlying factors inhibiting effective fiscal decentralization in Ghana within the context of Ketu South Municipal Assembly. This objective sought to find out the various reasons hindering the operative fiscal decentralization

implementation within the municipality. This section is divided into sub-themes such as unreliable data on revenue points, unclear local government laws and bye-laws, delay in release of statutory funds, inadequate trained and experienced personnel capacity, vibrancy of the local economy and the political structure.

4.5.1 Unreliable Data on Revenue Points.

One of the most critical challenges facing the Ketu South Municipal Assembly in terms of revenue mobilization to support fiscal decentralization and economic development is unreliable data on the revenue points. The assembly does not have information on the specific revenue points within the municipality. Some revenue generating points that are supposed to be in the hands of the assembly is been managed and controlled by private individuals who are not accountable to the assembly. The assembly does not have data on all these places. Some of these revenue collection points have been lost due to change of governments and the assembly does not have any proper legal documentation on these properties for which it can make a claim. One can therefore argue that all these revenues that could boost development in the area in going into individual and private pockets to the detriment of the total development of the assembly. As a result, the individual managers of these facilities do not only mismanaged the resources accruing form the use of the place but also do not undertake any maintenance therefore deteriorating earlier than anticipated. The municipal finance officer remarked that

“We are unaware of all the revenue points of the assembly to ensure that our revenue collectors would go there and collect revenues. Sometimes, private individuals lay claim and ownership to some of our revenue points and since we do not have evidence, we back of”.

This is greatly affecting revenue generation in order to support all the development projects that the assembly intends to carry out. Another problem is that the assembly is not well informed about all of its assets. It is very difficult for officials who are not natives of the town to lay claim to properties in the name of the assembly especially if there is no legal documentation to this effect, except word of mouth. This was expressed by a revenue officer of the assembly,

“There is no adequate documentation on all the properties of the assembly because it is very difficult to sometimes differentiate party controlled revenue points from assembly controlled revenue points. For example, I hear the assembly has built and renovated 8 public water closet toilets at the border alone, as we speak now, only four of those are under the control of the assembly but we are in the process of collecting them from the political party for the assembly”.

It can sometimes be very daunting to separate government in power from the party that formed the government. Due to the negativities that characterize elections, party persons quickly lay claims to possession of government as soon as their party wins political power especially in the area of management of market, bus station and public toilets. Thus unreliable data on revenue points is one critical factor impeding the effective fiscal decentralization in KSMA.

4.5.2 Unclear Portions of the Local Government Laws and Bye-Laws of the KSMA

Unclear local government laws and bye-laws is another factor confronting fiscal decentralization in KSMA. In other words, the formulation of the laws, or its implementation hardly include the local people for whom these laws are made and passed. Laws on local government have been largely blamed of its vagueness, and uncertainty. The Local Government Act, Act 462 created the

various sub-district structures without any defined roles, responsibilities and real functions except to indicate that they have representatives.

Evidence has shown that the various MMDAs are implementing the law to their own peculiar circumstances. For example when central government transfers are made, for local economic development to be achieved, it is the hope of government that the municipality would subsequently transfer part of these monies to the zonal councils for onward transmission to the various Unit Committees. It is surprisingly to note that, this is not the case in KSMA.

Indeed transferred funds only get stuck at the district headquarters, starving or hindering the effective completion of the decentralization process. This was pointed out by the budget officer of the assembly,

“We do not transfer part of the DACF to the Zonal Councils or the Unit Committees, it is not their money but our money. So what we do is to give them certain areas such as levies and fees from video operators, guest houses, barbers, taxis etc. of course within their jurisdiction using our carbonated receipts duplicates such that they can account to us. After the money is paid into our current account, we then issue them a cheque for half the amount collect to support their own developmental projects”.

The poor functioning and weak participation of the sub-district structures could be partly blamed on certain aspects of the law such as the creation of parallel institutions, which is the Ministry of Local Government and Rural Development and the Regional Coordinating Councils. There is no known punishment for persons within a particular local jurisdiction to pay their levies, or fines, because there is no known mention punishment in the local bye-laws and the laws on these are

almost silent. The principles of composite budget recognize that the budget of the assembly must necessarily emanate from the grassroots level, yet the disbursement hardly follows it. For a result oriented achievement of the goals of local economic development, the grassroots levels should be supported and encouraged to make it easier to mobilize local resources generate and create employment that would result in the improvement in the lives of the local residents.

4.5.3 Delay in Release of Statutory Funds

Another factor hindering the effective implementation of fiscal decentralization to local economic development is the delay in the release of statutory funds. The DACF by law is normally paid in arrears on quarterly basis (that is three (3) months). This does not happened as funds are delayed more than necessary. An official of the finance department of the Ketu South Assembly stated that:

“We are very used to DACF funds delaying a few months but in the last two years, these intervals have become incomparable. For instance, the first quarter DACF for 2014 was paid on the 11th November, 2014 and of now in March of 2015, the 3rd and 4th quarter covering 2014 are yet to be released. This has stifled almost everything as contractors are always on our head for payment because their source certificates on work done is ready for payment”. “...even, we are yet to receive our DDF for the whole of 2012 and 2013. Even the assessment for the qualification of the 2014 financial year is yet to be done and so you can see, we are really financially constraint in the fulfillment of our plans and in the delivery of jobs for our local people”.

All these undue delay in the release of statutory funds affect the operation of the assembly. This was pointed by the presiding member about the effect of inadequate funding on the operation of the assembly. He opined that

“The delay in the release of funds have created room for inefficiency and ineffectiveness on the part of some officers of the assembly because even filing of papers and ordinary documentation is also pushed aside under the pretext that there is no money. “We need more logistics and vehicles to do revenue mobilization. The vehicle we have been using has broken down and so last year in March, we decided to purchase a brand new Toyota Hilux purposely for revenue mobilization and effective monitoring and evaluation. This was bought a cost of GHC 92, 000 from our own internally generated funds”.

Local governments need resources from the central government to be able to even mobilize logistics to collect the IGF, the assemblies have low capacity to collect the necessary revenue approved by law such as property rate, basic rates and market tolls. Sometimes, local government functionaries spend inordinate amount of monies on revenue collecting points and ends up raising less than they had invested. This discourages a lot of them from venturing further into local revenue mobilization and just rely on the DACF and DDF. But the recent irregular release of these funds is forcing most MMDAs to think and act fast to ensure the delivery of the local economic development due their people.

4.5.4 Inadequate Trained and Experienced Personnel Capacity

Human resource is the most critical resources in an organization. The training and skill development of revenue officers is very critical to the development of the assembly. The Municipal Coordinating Director intimated that

“Personnel available are hardly well trained, institutions are ill quipped and the local governments’ service is unable to attract skilled manpower because of its very poor image and low remuneration.

The local governments are unable to attract very qualified and competent personnel to work. Even under the single spine pay policy, civil and local government workers seem to be amongst the lowest paid workers in Ghana. This is not helping in attracting the best brains to the assembly. Moreover, the freeze on government recruitment is making it relatively difficult as the assembly has to make do with what it has. The need for employing young and energetic men and women into the revenue mobilization fold would have to be delayed further. The Municipal Chief Executive intimated this when he said that:

“Due to the freeze on government employment, we do not have enough staff in the revenue department. And most of our people that collects the revenue for us are not well educated because sometimes the educated persons are more hazardous in shortchanging us in terms of revenue theft”

The low remuneration of employees and lack of committed personnel to collect revenue affects revenue mobilization of the assembly which in the long run affect real development within the area. The local persons that are employed and trained by the assembly as assembly staff though are doing their best. With time, they eventually become experienced.

4.5.5 Vibrancy of the Local Economy and the Political Structure

Local area must be vibrant to attract investors and this is possible in a peaceful political atmosphere. The need for business activities to thrive is important for revenue mobilization to be undertaken. The poor seem to be paying more in proportional terms of their income than the rich. This means that, instead of encouraging growth and creating avenue for the improvement in the standards of living of all citizens, the political structure seem to be encouraging and promoting the disparity between the rich and the poor. The vibrancy of the local economy which is much related

to the economic activities in Lome, Togo seems not to be doing well like it used to do. And only those who are officials of the assembly seems to be enjoying a higher standard of living

“For us to be able to level and collect revenue, business activities should be going on. It seems the local economy is slowing down due to the high exchange rates especially between the cedi and the CFA”

The district assembly’s structure and practices largely are supposed to be non-political. However, the District Chief Executive and 30% of voting members of the district assemblies are appointed by the government. This means that a purely political system has been super-imposed on a non-political system. Thus, the frequent visitation of ministers, party faithful, members of the regional coordinating councils and other government institutions all take money out of the scarce resources of the assembly. One critical challenge is the keeping of security forces with the municipality just so that the volatile situation relating to chieftaincy in most cases do not escalate. The assembly spends huge sums of money in maintaining a standing police presence in the area. This was brought to light by the Municipal chief executive

“One of the greatest challenges facing the assembly is the substantial amount of monies spent on security and visits. Last year alone, about 200 security men were kept and feed at GHC 40,000 for just one month. Also presidential and ministerial visits are too many and the assembly is owing GHC 70,000 debt for fuel only, a significant portion of this is fuel for visiting ministers and big party wigs. You do not want to wake up the next morning to hear on radio that your boss (MCE) has been sacked so you have to do it.”

All these monies could be used in the development or capacity building for market women or in the building of new school block and all these have been misused just to maintain peace which by the way is an integral part of the local economic development ingredients.

Thus unreliable data on revenue points, vague local government laws and bye-laws, delay in release of statutory funds, inadequate trained and experienced personnel capacity, and the attitude for the people and the political structure are some of the critical factors inhibiting effective decentralization in the Ketu South Municipal Assembly and for that matter in Ghana.

4.6 IMPACT OF FISCAL DECENTRALISATION ON LOCAL ECONOMIC DEVELOPMENT IN GHANA

Impact of fiscal decentralisation on the local economic development in Ghana is the third objective of this study. While fiscal decentralization in itself can lead to development, fiscal decentralization depending upon certain factors could aid local economic development or discourage it. This section was analyzed under the following sub-themes; the effect of fiscal decentralization on schools/education; on hospital and health facilities; on social infrastructure; on markets and business centers; on small scale business and how it encouraged active community participation. All these factors have, between a short term and a medium to long term effect on local economic development.

4.6.1 Impact of Fiscal Decentralisation to Education on Local Economic Development

This research attempts to link the effect of availability timely flow of funds on education and how that could at the long run enhance local capacity to boost local economic development. Respondents from the KSMA as well as the Educational Directorate were interviewed. Education plays a critical role in the development and advancement of the human race. It developed skills and talents, and prepares the needed workforce for productivity. Education affects every aspect of the lives of individuals especially in the area of health, technological advancement, crime, health, mortality and civic participation among others. Little or no education could mean that more

persons are going to be less engaged in productive areas and the youth could easily engaged in crimes and other social vices. Unemployment would be high and there could be more social and economic problem for the government to deal with. This was indicated by the Municipal Chief Executive of the assembly:

“The provision of educational facilities in this districts is very dear to my heart. Parents here are really concerned with the education of their wards and so it is the major preoccupation of the assembly and am very happy the municipal director of health share in my visions”.

Effective fiscal decentralization would make more resources available to the local assembly to invest in education. This means that there would be lasting impact in early childhood development and skill nurturing of the citizens that would make available skilled labor in the long run. As the planning officer of the assembly admitted to how relevance education in their scheme of things.

“We have made it a duty on ourselves to build new classrooms blocks and schools every year whiles providing essential teaching and learning materials to the existing ones. Education here is at the heart of every parent and so we do not compromise on education, our focus however has been on the early childhood development school and the basic education facilities which ultimately impacts on the local economic development”

In interview with the Municipal Director of Education, it became evident that the assembly is doing very well in the provision of educational facilities especially at the basic level. Emphasizing the state of education in the Municipal Director intimated that

“In all, there are seventy-eight (78) public and forty-nine (49) private Kindergarten schools, eighty-one (81) public and forty (40) private primary schools, sixty-two (62) JSS and thirty-three

(33) private Junior High School, four (4) public and six (6) private Senior High school with two (2) private vocational/technical schools within the municipality. Overall, there are eighty-two (82) public schools and forty-three (43) recognized private schools at the basic education level with four (4) public and six(6) private senior high school and 2 technical /vocations school within the municipality”.

It was evident from the expression of most respondent that, education is a very strong bedrock to the realization of the goal of local economic development. This is because talents and skills would be developed ready to benefit from the opportunities that the local economy presents. A good investment in education would eventually result in the long term in the development of the area. From the findings, one could argue that, a more effective fiscal decentralization would ensure more investment into the educational sector of KSMA that would lead to improvement in the local economic development

4.6.2 Impacts of Building Hospitals and Health Facilities to Local Economic Development in KSMA

The study also sought to find out from the municipal assembly office and the health directorate of the municipality as to the extent to which fiscal decentralization has either aided investment in health. It sought to know from the respondents from how the provision of health facilities such as hospital, clinic, and CHIPS compound among others has positively impacted on their standard of living. Effective fiscal decentralization could lead to an increased investment and development of good health policies and the building and equipping of hospital.

The Municipal Director of Health opined that

“There is one (1) district hospital at Aflao and two (2) private hospitals, three (3) well equipped private clinic and seven (7) health centers. There is also one maternity home, eight (8) CHPS compound and two (2) family Health Units which helps in the provision of health to the people. Health is wealth”.

More sources of funds would make available a better health system, quality of drugs and service delivery that would promote and attract more business and investors into the local area. More hours may be spent on curative process of health care if preventive measure are not taken. This would make productive hours to be wasted rather on hospital beds and treatment centers rather than being used on the floor of the industry. Scarce resources would not be used in curing diseases and illness rather it would be investment in in health related education, research and technology development. Then again the individuals themselves have the ability to save more money instead of spending it on hospital bills and pay for drugs. As one respondent puts it,

“If we want to improve upon the local economy, one of the critical aspects should be health. The workforce must be health. Persons would accept posting to KSMA only if they are sure that their wards would get the best education and have access to very good hospitals”.

This would affect the standards of living, life expectancy, infant malnourishment, and poverty and disease treatments. The provision of a very good equipment and machinery at the hospital and health facilities protect the locality in terms of outbreaks of disease thus protecting the human resources base of the local area. Accordingly monies that could be spent on curative health could easily be used in the provision of job creation and investment in social infrastructure.

4.6.3 Impact of the availability of Social Infrastructure on Local Economic Development

This is to link the impact of investment into social infrastructure on the local economic development of KSMA. Investments in social infrastructure is as much as a priority as it is desirable. To reduce inequality and provide better and a level playing field, strategic social infrastructure should be provided. Social infrastructure involves the provision of facilities such as schools, hospital, roads, communication systems, social support systems amongst others. This deals specifically with the physical development of the projects. The municipal coordinating director has this to say

“There are forty-two (42) schools within the municipality has now has a fully furnished computer lab and an rLG ICT center at Denu. This helps in capacity building for ICT teachers within school in the district. And the district estimate that 60,073 54.6% of the total population have access to mobile phones and improved method of communication.”

The improvement in the standards of living of individuals is directly linked to the availability of social infrastructure. This they attributed to the development and advancement in the quality of lives of the people. Infrastructure development is a function of local economic development. It helps in building strong institutions, not necessarily because of its direct effect but both direct and indirect effect and in the long run. Improved roads and social infrastructure involves the provision of the various social infrastructure such as roads (i.e. feeder road and truck roads), telecommunication, schools, hospitals, markets and place of public convenience including affordable housing. The assembly is doing very well in terms of the provision of social infrastructure. Currently, there are

“About four (4) radio stations within the municipality. These are Victory FM, Holy FM, Light FM and Radio Abacc. All these stations make mobilization of people, resources and opinion very easy.

The long run effect is that it would improve the appreciation of issues and eventually the development of the area”. This has helped in the timely information dissemination throughout the community especially during times of mobilization for community service amongst others”

Poverty is largely a failure by the society to productively deploy human resources. Welfare programs and project for socially the disadvantaged citizens should be vigorously pursued. This would help reduce the gap between the rich and the poor thereby improve development by poverty reduction especially through job creation and capacity building.

The building of roads, and other communication facilities in critical to the realization of the goals of local economic development. Access to resources and the provision of more advanced amenities. This view was shared by the planning officer

“Apart from education and health, the provision of roads especially feeder roads is one major concern of the assembly.

Whereas fiscal decentralisation in some jurisdiction encourages the provision of elite services especially in the urban areas. The availability of funds in the rural areas should be a catalyst for the provision of pro-poor social amenities that could enhance and improve the skill of the poor to be strategically positioned to benefit from the natural resources within their locality.

4.6.4 Impact of Markets and Small Scale Business on Local Economic Development

Public market places could become the heart and soul of economic and social activities within a given local area. Markets make it easier for the buying and selling of goods. It is source of job creation, and the point for the collection of market tolls as a form of levy. Effective and efficient markets create competition which leads to increased proficiency and improvement in outputs, since people work harder, and there is more innovations a result of local competition.

This also brings about indirect benefits such as stimulating growth in the long run and making essential goods and services available at one market place. The assembly has not built any new market but has invested in renovating the existing market to make it more modern and to accommodate more goods and persons. This was intimated by the District Engineer of the assembly:

“We have not built any new markets within the last five (5) years or directly established any business. But all four of our markets are currently under construction receiving a major facelift. We are building for example two (2) storey market shops in Aflao whiles we are doing three (3) story market shop in Denu. All these are to improve and boost local economic activities within the KSMA. There are 4 major markets within the jurisdiction of the municipality. These are Denu, Aflao, Agbozume, and Aflao Border amongst other.”

Profits would be made that could be reinvested into the local market, revenue payment to government, Direct sales and amount contributed to the market in terms of direct and indirect economic activities and this would lead eventually to boom in the local economy. These markets contribute to job creation and harnessing of local resources that support local economic development. Once fiscal decentralisation makes it easier for more market to be built, more

revenue could be raised from more market women which would boost local economic activities that may trigger more development

In terms of small scale business, the assembly has made a lot of effort in capacity building for small business especially women in Gari processing and Agbozume Biscuit maker's association. All these are in a bid to ensure that the development of the area is comprehensive in a manner that provide jobs and ensures that standard of living of the people is improved.

The assembly appears to be is laying emphasis on physical projects than on job creations and sustainable livelihood. There is no policy focus on structures and the empowerment of the people in terms of creating jobs and improving their welfare. Once the people are empowered to own sustainable jobs, then the assembly could even raise more revenue to ensure that more development is achieved and ultimately the quality of lives of the people is significantly improved.

There is Ayigbe biscuit manufactured in Agbozume Biscuit Factory. And these products and others that have huge market in Accra and Cape Coast could be enhanced and well package to boost the local economy. According to the study, 'Gari' is produced in high quantity but at the end of the day, it remains within the district and attract very cheap prices when proper packaging could ensure that these women are able to create and own sustainable jobs that will empower them and especially in improvement their standard of living. The assembly seems not to directly involved or be too concerned about what happens to the livelihood sustainability of local residents. The managers of the local assembly to a large extent create the impression that, any such policy such as a capacity building is a favor they are doing to the poor market women and traders.

4.6.5 Impact of growing Agriculture and Industry on Local Economic Development

Agriculture provides jobs and employment opportunities to the population especially teeming youth, it also provides food and other critical source of foreign exchange. About 60% of the people in the district especially women are involve in agriculture. With more investment in agriculture and mechanization of a lot of operation, this sector could become one of the very critical sectors of the local economy of the Ketu South Municipal Assembly. The NCSSI Director of the municipal office admits that plans are far advanced to improve the packaging and processing of Gari and local biscuit popularly “Agbozume Kpornorvivi” or “Ayigbe biscuits” she intimated that

“I can confirm that we produce enough maize and Gari and we even export a lot of these goods o the neighboring district and especially to Togo”.

Agriculture is a powerful economic force in any economy especially in the economies of developing countries. Famers could form co-operative and be supported to produce on a large scale thus benefiting from the economies of scale. This will greatly reduce the cost of production hence improve their profits. In the long run, this has the tendency to improve investment in the area and create more sustainable jobs that would improve and reduce the level of poverty.

In order that the Assembly feeds itself, premium is placed on agriculture, the KSMA has been widely been an agro-base sector that kept people in business. The municipal planning officer of the assembly opined that

“We pay a particular attention to agriculture in this municipality. Most of our lands are arable lands. We are noted most especially vegetable famers, every year farmers are supported with tractors, and weedicide, insecticide and some form of money and this has greatly enhanced productivity in the area generating more jobs for the youth”.

The arable nature of the lands in the area makes farming and agriculture easy; farming in livestock, fisheries and crops. The farming of these products would make available resources and subsequently improve the availability of food and thus improve the income available to farmers and their families.

4.6.6 Impact of Effective Community Participation on Local Economic Development

The research sought to establish the active participation of the local people in decision making and in the allocation of the scarce financial and the natural resources of the assembly. There is extensive participation of the elected officials in the budgetary process when it comes to inputs. There is however, little or no active participation by these same officers in decision making regarding the allocation of resources. The decision to allocate to whom, where and to how is mainly left in the hands of the MCE, MCD and the finance officer.

According to the Municipal Coordinating Director,

“No matter what the decisions of the assembly members are, we the managers of the assembly always have our way”.

The common emerging theme from the responses of the respondents is that, there is inadequate participation by the local people in decision making especially when it comes to what is local preference and what is politically expedient. One of the respondents, an assembly man intimated that

“There is lack of consultation in the formulation of most policies and so therefore, these policies sometimes do not take the real concerns of the people into consideration which makes the implementation very difficult. The local people do not see themselves as partners in development”.

There is no sense of belongings or ownership of these policies that would get them committed to the implementation of these policies. Accountability and good governance is where the assembly is actually accountable not only to the rules and regulations establishing it and central government only, but also being responsible to the local residents to whom they are largely established for. Whiles the managers of the assembly claimed they local people are involved, evidence suggest that the local people are hardly aware and even the few that make proposal are mostly ignored.

The Municipal Planning Officer opined that

“Before anything, we meet with the stakeholders to ensure that they gave us how much they can pay. In the area of accountability. Some of the local resident are really interested in the development of their area”

In the words of the principal officers of the assembly, one could get the feeling that the local people are involved. But on a careful examination of the facial comments by some assembly men and other KSMA Officers, the people are hardly involved. If anything at all, it by way of information where information van disseminates information based on the payment of a new market tolls or utility bill. However, some locals have expressed interest and have actually gone out of their way to make donation to the assembly. These donations could largely be classified as participation but the degree off participation is very minimal

4.6.7 Relationship between Fiscal Decentralisation and Local Economic Development

The study sought to find out about the relationship between fiscal decentralization and local economic development. Once the people are actively involved in the decision making of the

assembly, there is the likelihood that there will be ownership of policy and its implementation would be less cumbersome. It will be easier for the local people to buy into the vision and strategic direction of the managers of the assembly thus ensuring a concerted effort on growth and development. Health is wealth and so once there are good hospitals and clinics delivering quality of care to the population, the chances are that, those persons who are ill will receive prompt and quality treatment. Availability of schools ensures that all children of school going age are enrolled in schools. The combined effect is that more skilled labor would be available for employment and the human resource which is the most crucial resource would be well nurtured and developed to deliver an effective local economic development in KSMA. With an educated population, the payment of basic rates and levies in the form of IGF could become less resistant and more resources would be harnessed, within and without to ensure that the right combination of development is delivered that satisfies local preference through community participation and not for political expediency.

These developments in the district will among other things ensure that land prices and properties especially among the major roads will appreciate in value and conducive environment for business is an excellent incentive from new and emerging business development.

As explained by the Budget Officer of the assembly

“Government inability to release quarterly funds in time makes it difficult for them to administratively monitor and even perform some of the functions that will bring in the revenue. We get a lot of money from markets and Diamond cement factory for example but lack of funds due to late releases of DACF means we cannot fuel our cars to do proper monitoring. Therefore we cannot determine the accurate sales to determine the exact revenue due the assembly”.

The policies of the local government and fiscal decentralization in Ghana are more pro-poor focused and hardly growth focused. However, the objective of the KSMA seems to be more of provision of physical structures such as school block, roads, hospital with little direct effort on job creation. The district however hoped that somehow these concrete projects would improve the lives of the people.

This is also as a result of failure to emphasize sustainable local economies, weak local government capacity and limited engagement with local economic potential. No matter how robust the local economy is, it is still are part of the national economy which is also part of global economy. Despite some flow of revenue to KSMA, delay in disbursement, inability to release funds to the sub-nationals units. Again, over-centralization of all district activities, programs and projects at the district headquarters are factors militating against effective practice of fiscal decentralisation than could lead to local economic development.

4.7 Conclusion

This chapter examines the brief history of the assembly and analysis the demographic characteristics of the respondents. In all twenty-five (25) officials and individuals of the municipal assembly, the Ghana Education Service and the District Health Director are interviewed face-to-face. The structure of fiscal decentralisation in KSMA was analyzed where it was discovered that there are three major sources of funding available to the assembly. These are internally generated fund, intergovernmental funds and donor funds.

The factors affecting effective fiscal decentralisation in the Ketu South Municipal Assembly are unreliable data on revenue points, vague local government laws and bye-laws, delay in release of statutory funds, inadequate trained and experienced personnel capacity, logistics, corruption and fraud and the attitude of the people and the political structure. And the assembly seems to spending a lot of money on chieftaincy disputes as far as maintain law and order is concerned.

Principally, the influence of fiscal decentralisation on local economic development was measured in terms of its impact on education, health, markets and small scale business, social infrastructure, agriculture and active community participation. It is observed that, education, health, social infrastructure and agriculture which are all functions of local economic development could be enhanced through the practice of fiscal decentralisation and availability of funds to invest in these projects.

CHAPTER FIVE

5.0 FINDINGS, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

This chapter is the concluding part of the entire thesis. It consist of three sections. Section one identifies and summaries the key findings of the research, the second section make the necessary recommendation while the third section present limitation of the study and future study areas. A general conclusion on the entire thesis paper was also presented.

5.2 Summary of Key Findings

The following findings were made from the data analysis. Finding were made under the three (3) main objectives of the study such as the current structure of fiscal decentralisation, factors impeding effective fiscal decentralisation and the impact of fiscal decentralisation on the local economic development.

5.2.1 Current Structure of Fiscal Decentralisation

There are three (3) sources of funding available for the activities of the KSMA. The sources are internally generated funds, intergovernmental funds and donor funds. Internally generated fund includes funds raised from property rate, fines and levies. Intergovernmental transfers includes the District Assemblies Common Fund (DACF) and District Development Fund (DDF). The DACF is the assembly's share of the total national income based on key indicators such as population ratio, need factor, development and pressure on social amenities whiles the DDF is awarded based on the performance of district in their performance in the internally generated

funds, good governance and audit practices and also on the effective implementation of audit reports by the Municipal Audit Report Implementation Committee.

The DACF is the most critical source of funding and the largest source of funding to the KSMA over the five years period under review. DACF alone formed about 69.7% of total revenue generated by the assembly in 2011 and approximately 36% in 2014. However, IGF contributed about 26% of total revenue while DDF constitute about 37% in of total revenue in the same year-2014.

Donor funds which is made up of funds from international organizations, Non-Governmental Organizations (NGOs) and sometimes from private individual citizens. Donor funds for the KSMA largely includes funds from World Bank, UN, EU, DFID, GTZ, DANIDA, JICA, USAID, and CIDA, KOIC etc.

Furthermore, the study found out that the structure of the district assembly is such that the district assembly rely heavily on the DACF for planning and this even help in logistics for the collection of the IGF. Due to the erratic release of the DACF, the assembly complained they are unable to raise more revenue due to their inability to get their quarterly allocations from government in the form of DACF or even DDF to do that. In simple terms, the assembly needs money to raise more money.

Moreover, instead of the assembly making allocations to the sub-district agencies from the DACF as regards to the consolidated budget process, the district has adopted and implemented a 50/50 ratio revenue sharing motive generated at the sub district levels.

This, a respondent from the Fiscal Decentralization Unit of the Ministry of Finance indicated was wrong. He sighted section 10 of the Act that clearly makes the sub-district areas not revenue generating bodies.

And KSMA operates a special 50/50 ratio of revenue sharing between the assembly and the various councils and Unit Committees. Under this ratio, the assembly gives 50% of whatever IGF a Unit Committee or an Urban Council is able to raise such that if a particular Unit Committee is unable to raise any IGF, then they get nothing. This is however against Section 15 of the Local Government Act 1993, Act 462 which states that

“Subject to this Act, a District Assembly may as appropriate, delegate any of its functions to sub-Metropolitan, District Council, Town, Area, Zonal or Urban Council or Unit Committees or such other body or persons as it may determine. Nothing in subsection (1) of this section permits the delegation to any Sub-Metropolitan District Council, Town, Area, Zonal or Urban Council, Unit Committee, body or person the power of a District Assembly to legislate, levy rates or borrow money”. Thus the decision by the KSMA to cede areas for the sub-district structures for raising basic rate and levies by its 50/50 ratio is in clear breach of the law.

For effective local economic development, the allocated resources must reach the lowest of the local levels. Once the Unit Committees are effective, the district would be very effective in poverty eradication and promoting growth. The Local Government Act 462 made it clear that the assemblies should forward the allocation of the DACF and the IGF to the local areas especially the sub-district structures but there is centralization of activities and funding at the district headquarters’ of the KSMA. This is making the purpose of fiscal decentralisation in the KSMA somewhat defeated.

5.2.2 Challenges to Effective Fiscal Decentralisation

The major challenges to effective fiscal decentralisation within Ketu South Municipal Assembly are reliable database on revenue points, logistics, human resources, and the vibrancy of the local economy.

The release of intergovernmental transfers is very unpredictable, for example the first quarter release of 2014 DACF was paid on 11th of November 2014 and as of 30 March, 2015 only 2 quarters of 2014 was paid.

Furthermore, the assembly is yet to receive its DDF for 2012, 2013 and appraisal for 2014 is yet to be carried out. Nevertheless, allocation previous allocations continue to trickle in from the DDF fund.

Revenue mobilization in the district is based on the vibrancy of the economic activities which in turn is more related to activities in Lome and the Ghana cedi CFA exchange rate than the economic indicators in Ghana.

Then, there is no database on the assembly revenue points and the little that is collected is almost directed into unplanned expenditure especially on security concerns. There were a series of serious security issues that needed reinforcement from the military for more than 5 times within the last one year.

“One of the greatest challenges facing the assembly is the substantial amount of monies spent on security and visits. Last year alone, about 200 security men were kept and feed at GHC 40,000 for just one month. Also presidential and ministerial visits are too many and the assembly is owing GHC 70,000 debt for fuel only, a significant portion of this is fuel for visiting ministers and big party wigs. You do not want to wake up the next morning to hear on radio that your boss (MCE)

has been sacked so you have to do it.” This shows how funds made for development is sometimes abused and mismanagement depriving the people of the much needed local development.

DANIDA was one of the greatest contributors to the development of local economy in the district but its five years stay has ended two years ago within the KSMA and this affects budgeting.

The provision of logistics for effective revenue mobilization is another challenges facing the district. For example due to the critical need for a car for revenue mobilization the assembly was able to buy brand new Toyota Hilux (2014 model) pickup at a cost of GHC 92,000 from its own IGF in 2014 March. Nonetheless, further check reveal that the vehicle since its purchase is being used by the Municipal Chief Executive as his official car.

The block grants have guidelines whiles percentage grants are tied to specific programs. This reduces the flexibility in the assembly scheme of things to priorities. This leads to investment in more physical structures than the investment into areas that could create sustainable employment and livelihood support programs.

Most of the respondents felt that DACF and DDF is not part of fiscal decentralisation and that the assembly is doing very little in raising revenue internally due to over dependence on the central government for support.

5.2.3 How Fiscal Decentralisation impact Local Economic Development

The impact of fiscal decentralisation is measured suing certain indicators. Building of schools, hospitals, markets, communication facilities, improved IGF collection, roads and social infrastructure is only part local economic development. It looks as if the employment creation and

capacity building aspect of the local economic development is given little attention by the assembly. There is however over 100 new businesses that were registered within the last two years but are businesses created by private individuals and employing only between one to three persons at most on the direct jobs and many other indirect jobs.

Most of the development project in the assembly largely focused on physical projects with little attention on sustainable employment opportunities for the local citizens. The assembly believes that the monies they receive as part of fiscal decentralisation is largely meant to build physical structure and that somehow, the local people would have a job on the construction site. Unfortunately, majority of these jobs are temporal.

The results of this study revealed that there is a favorable relationship between fiscal decentralisation and local economic development but this is largely dependent on prerequisite factors such as strategic leadership, local participation, free flow and timely disposal of funds and zero tolerance to corruption. A commitment to create conducive environment for local business.

“The focus of the assembly has been on projects and projects, there are other things in the local economic development that are not physical, and the people should be empowered, given some kinds of jobs that can improve the quality of their lives. You need to create a conducive environment and help people set up business so that you can even collect more revenues and for more development. We have started with the NBSSI to help the market women in specific industries”

Then again there is an affirmative relationship between fiscal decentralisation and rural poverty reduction however, there no guarantee that fiscal decentralization would immediately lead to the improvement in the quality of life of individuals. This support findings by Rodrigues (2009) that

any research work that identifies no direct link between fiscal decentralization and local economic development has used either the wrong measurement or adopted not the right methodology.

Examining the research framework, fiscal decentralisation could lead to development without necessarily impacting local economic development. Unless or until fiscal decentralisation amongst other things leads to employment creation and capacity building, making condition, conducive local business environment, the real objective of local economic development is not achieved.

Again adopting the theory of public value which is basically a situation where, public services are characterized by claims of rights by citizens to services that have been authorized and funded through some democratic process (Grant, and Fisher, 2010). Findings from the research reveal the situation where the officers of the assembly believed by performing their duty, they are doing the local residents a favor. The relationship between the officers and the local residents is a cordial one and somewhat “master-servant related”. For the performance of a simple reasonability, which the local people are entitled to anyways, it has to take pleading and sometimes call from high place to for example make the taking away of a full waste bin in a public center.

5.3 Recommendations

Base on the above findings, the following recommendation were made to the KSMA and the central government

5.3.1 Recommendations to the Ketu South Municipal Assembly

- There is the need for a compliance with financial regulations and laid down procedures.
The legal framework for the expenditure and revenue assignment should be clearly

stipulated to avoid doubts and conflict. The situation where Unit Committees and Urban Council are required to prepare budgets as part of the consolidated budget process but do not receive their allocation is not consistent in ensuring and deepening local economic development.

- Due to the delay in the release of the intergovernmental transfers, the assembly should do well to raise more IGF to support its development goals. Timely release of funds from the central government is a critical aspect of ensuring that fiscal decentralization is achieved which contribute immensely to the development of the local economy.
- Comprehensive collection of revenue data from all sources for easy assessment of potential revenue points is critical to secure more revenues for development.
- Computerization/Automation of billing system to ensure prompt delivery of bills. The assembly must as a matter of agency collate and establish a database on all its revenue points for easy mobilization and monitoring.
- The over centralization of decisions at the district headquarters is an affront to the practice of effective fiscal decentralization. Fiscal decentralization ensures that resources are given to the local people to ensure that priorities set are achieved. Very often, the allocations only get stuck at the district centers.
- The revenue mobilization vehicle purchased by the assembly in 2012 should be given to the revenue department to aid in revenue mobilization. Due to the nature of the district and the cumbersome nature of revenue mobilization, the officers of the revenue department even needs more van for effective collection.
- The assembly should respect the laws of Ghana by allowing part of the DACF and IGF to be given to the four (4) urban councils and the thirty-nine (39) Unit Committees.

5.3.2 Recommendations to the Central Government (GoG)

- The implementation of the DDF and FOAT with the attendant triggers and indicators should be executed to ensure that the system promotes downward accountability, transparency and participation in the execution of the core business of the MMDAs.
- The intergovernmental fiscal system should allow for improvements based on monitoring and evaluation systems with appropriate performance indicators.
- Central government should encourage the local assemblies to lay more emphasis on employment generation and create avenue for sustainable economic growth that will inure to improving the quality of lives and the welfare of the local citizens.
- Proper training and adequate capacity building should be given to the revenue collectors on Monitoring and Reporting of revenue collection. Fraud and corruption must be tackled head on especially among the revenue collectors.
- Rate payer sensitization– radio, outreach programs, mobile van and community announcement points. The assembly and its members should engaged the locals more in not only active participation but in educating the local people about the plans, policies, projects and achievements of the assembly. Engagement in Private Partnership in actual revenue collection and the setting of monthly revenue collection targets for the collectors and also provide bonus and other incentives for revenue collectors. The Assembly should undertake revenue collection education or training of collectors as well as tax payers. There must also be prosecution tariffs and levy defaulters promptly.
- Government through the Finance Ministry with assistance from parliament should pass laws to allow the local authorities to be able to take loans and borrow money from bank to undertake self-financing projects,

5.4 Limitation and Future Studies

The study focused on the impact of fiscal decentralisation on the local economic development. This is to say it examined how fiscal decentralisation could facilitate and has contributed to improving local economies development. Finding out how the local economy was before the introduction of fiscal decentralisation is outside the scope of this research. Other limitations of this research work were improper records keeping by the KSMA and the unwillingness of some officials to make data available especially on financial archives. Future research should look into how fiscal decentralisation could be used as a sustainability tool for the local business that could ensure growth in the local economy as a means of poverty reduction.

5.5 Conclusion.

Local economic development has become more important than ever to ensure improvement in the quality of lives and sustained employable opportunities for public value investment. Local economic development is the mobilization and harnessing of local resources to ensure maximum utilization. In examining the impact of fiscal decentralisation on the local economic development in the KSMA of Ghana, it was discovered that all things being equal, effective fiscal decentralisation is more than just the timely flow of funds but a strategic management of these scarce resources to ensure maximum benefits as well. And it is an oversimplification of the issue to think that once resources are available in the form of fiscal decentralisation, the local economic would automatically be achieved. Again, strategic leadership, creating conducive environment for business and employment opportunities and the elimination of corruption to ensure judicious use of the resources are crucial precondition to achieving local economic development especially in the Ketu Municipal Assembly.

The Local Economic Development is essential especially in developing nations of Africa to enable resources to be harnessed for job creation and poverty reduction. Decentralisation is not the opposite of centralization (Akhmouch, 2011), both are necessary and desirable to ensure interdependence, mutual benefits, intergovernmental transfers and fiscal decentralisation necessary to ensure effective and efficient local economic development. The results of this study revealed that there is a constructive relationship between fiscal decentralisation and local economic development and this is largely dependent on situational factors such as strategic leadership, local participation, autonomy of district, free flow time disposal of funds and zero tolerance to corruption. Respondents believe that there is minimal improvement in local economic development but generally feels that the economy situation affecting their livelihood and jobs is worsening.

The study established a noteworthy relationship between fiscal decentralisation and local economy development. This means that an improvement in fiscal decentralisation which leads to investment in education, health, social infrastructure, sanitation amongst other have a tendency of improving the welfare of residents which is largely dependent on other socio-economic and environment factors as well. Political autonomy, economical improvement, social and community participation are critical ingredients. The real and most critical element in fiscal decentralisation is how education and capacity development, health, social infrastructure, security, employment opportunities is financed and made available to improve the quality of lives of the people as a consequence. Society would be the better for it for the right sources of funding, financing and the appropriate investment mix is made into sustainable livelihood development projects and programs

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APPENDICES**APPENDIX A: INTERVIEW GUIDE**

UNIVERSITY OF GHANA
UNIVERSITY OF GHANA BUSINESS SCHOOL (UGBS)
DEPARTMENT OF PUBLIC ADMINISTRATION AND HEALTH SERVICES
MANAGEMENT

**TOPIC: THE IMPACT OF FISCAL DECENTRALISATION ON LOCAL ECONOMIC
DEVELOPMENT IN GHANA- A CASE STUDY OF KETU SOUTH MUNICIPAL
ASSEMBLY (KSMA)**

INTERVIEW GUIDE FOR OFFICIALS OF THE MUNICIPAL ASSEMBLY.

This interview guide is designed to solicit views and practices on the Impact of Fiscal Decentralisation on Local Economic Development in Ghana using data from the Ketu South Municipality. The researcher is a Master of Philosophy (MPhil) Public Administration student of the University of the Ghana Business School.

I would be very glad if you could help by supplying information for this study. This is purely for academic purpose and your responses would be treated with the utmost academic ethical confidentiality. Thank you for your participation and cooperation.

Researcher: Emmanuel Zumegah (Tel: 0544373366) Email: Emmazumegah@gmail.com

1. Rank or Position held by the respondent
2. Organization/Department:
3. Gender? Male Female
4. Age of respondent? 18-25years 26-35 years 36-45 years 46-60 years 60+ years
5. Marital Status? Married Single Widow/widower Divorced Separated
6. Level of education: JHS SHS/Vocational Tertiary Masters other...
7. Origin? Native Migrant.
8. If migrant, reasons for migrating: job transfer Job prospect other (specify).....
For how long have you been working with Ketu South Municipal Assembly?
 less 2 years 3- 5 years 5-10 years more than 10 years
9. Total estimated Income level
10. DO you have another source of income? Yes No

AWARENESS/KNOWLEDGE OF FISCAL DECENTRALIZATION

- 11. What do you consider fiscal decentralization?
-
- 12. Is fiscal decentralization a component of Ghana’s decentralization policy? [] Yes [] No
- 13. What are the main objectives of the fiscal decentralization?
-
- 14. What are the components of the fiscal decentralization?
-
- 15. What is your opinion on the current structure of district assembly finance?
-
- 15a.What are the main sources of funding activities of the assembly?
-
-

SOCIAL AND ECONOMIC CHALLENGES TO FISCAL DECENTRALISATION

- 16. Ketu North District Assembly was carved out of the Municipality, has that affected revenue generation and mobilization [] Yes [] No
- 17. Please explain your answer above
- 18. Do you think the central government funds (7.5% of DACF) to the district are adequate? [] Yes [] No
- 18b. Give reasons for your answer
- 19. When are these funds supposed to be released?
- 20. Are these funds release on time? [] Yes [] No
- 21. Does the delay in the release of the funds affect operations of the assembly? [] Yes [] No
- 22. If yes, explain your answer
- 23. Which of these generate more revenues to the assembly [] DACF [] DDF [] IGF [] others.
- 24. What are the main components of the IGF for the assembly?

YEAR	RATES	LANDS & RENTS	FEES & FINES	LICENSE	INVESTMENTS	GRANTS	OTHERS	TOTAL
2010								
2011								
2012								
2013								
2014								
EXPECTED IN 2015								

20. What are the basic challenges facing the assembly in IGF revenue mobilization?

- i.....i
- ii.....
- iii.....
- iv.....
- v.....

21. How much revenue has been generated for the assembly in terms of DDF, grants, DACF and the IGF?

YEAR	DACF GHC MILLION	DDF GHC MILLIONS	IGF GHC MILLION	OTHERS GHC MILLIONS	TOTAL S
2006					
2007					
2008					
2009					
2010					
2011					
2012					
2013					
2014					
EXPECT ED IN 2015					

22. In your opinion, do you think that the assembly could do more in revenue mobilization? Yes No

23. If yes, please provide suggestions.

27. Do you think that more resources available to the district would inure to more developments? Yes No

28. What is the role of the district assembly in the implementation of the fiscal decentralization?

.....

29. What constraints do you think district assemblies face in implementing their part of the fiscal decentralization?

30. What do you think about the current level of local government finance where government collects taxes and give to the assemblies is effective [] Yes it effective [] No its not

31. What are some of the impact of fiscal decentralization on local economy development in the Ketu South Municipal Assembly?

32. Would more autonomy to the local authorities brings about more developments or it would worsen it. [] Yes, it will improve development [] no it will encourage corruption

33. Do you have any other information to enrich the above the discussion?

IMPACT OF FISCAL DECENTRALTION ON LOCAL ECONOMIC DEVELOPMENT

34. Do you know about the functions of the municipal assembly? [] Yes [] No

34b if Yes, what are some of them.....

35. How would you describe the current performance of the municipal assembly’s financial situation? Very poor [] Poor [] Not poor [] Good [] Very Good [] Excellent []

35b. Reasons.....

36. How many of your children of school going age in your family is/ are enrolled in school? (Specify).....

37. How would you describe the effort by the assembly to provide more public schools?

[] Very Poor [] Poor [] Good [] Very good [] Excellent

38. How would you describe the health facilities condition in the municipality?

[] Poor [] Very Poor [] Good [] Very good [] Excellent

39. How would you describe the personnel at the District Level who are responsible for the management of the assembly?

40. Are you concerned about how the assembly’s revenue are spent? [] Yes or No []

41. Do you think you should be concerned? [] Yes or No []

41a. If Yes why.....
.....

42. How can the assembly provide more schools, clinics if government is not assisting?
.....
.....

43. Do you think the assemblies is doing enough to develop the area?
.....

44. Do you participate in the decision making process of the assembly?

Yes No

45. Have you voted in any local level elections before (assembly man and or Unit Committee?)

Yes No

45a. Would you vote in the coming elections or any subsequent ones? Yes No

46. Have you benefited from the LEAP program before? Yes No

47a. If Yes, how much do you receive per year.....

48. How would you describe the local economy over the past five years?

Very Good Good Same Worsening

48b. Reasons.....
.....

49. Do you support government giving more money to the municipality to support development?

Yes No

49a. If No, please give reasons.....

50. Do you support the municipality raising more funds through local taxes to aid developments?

Yes No

50a. If Yes, give reasons.....

50b. If No, why?

51. Do you have an idea of how the assembly revenue is spent?

Very Poor Poor Good Very good Excellent

52. Would you pay more in local taxes if you know how and on what the funds are used?

Yes No.

52a. If No explain.....

53. Do you think there is transparency in the way and manner the assemblies revenues are spent?
[] Very Poor [] Poor [] Good Very good [] Excellent

54. Any other information relevant to this study?
.....

Data/Documents Required:

- a) DACF and DDF
- b) Other documents relevant to fiscal decentralization
- c) Funds disbursed on IGF since 2006
- d) Action plans of the Ketu South Municipal Assembly.
- e) Other publications relevant to this study

Thank you for your assistance in answering the questions.

APPENDIX B: PHOTOGRAPHS

Stock of file at the assembly. Researcher collecting Secondary Data

Figure A: Stock of file at the assembly. Researcher collecting Secondary Data



Source: Field Data, December 2014-March 2015.

Offices of the Ketu South Municipal Assembly

Figure B: Offices of the Ketu South Municipal Assembly



Source: Field Data Survey, December 2014-March, 2015

Revenue Table of the District showing Major markets and UTAS

Figure C: Revenue Table of the District showing Major markets and UTAS

**KETU SOUTH DISTRICT ASSEMBLY
REVENUE CHART FOR MARKET AND UTAS FOR THE YEAR 2014**

REVENUE CENTRE	JAN.	FEB.	MAR.	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.	TOTAL
	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢	GH¢
MARKETS SAND WINNING	—	295	510	357	440	312	314	267					
XEDRANAWO	6878	9392	5359	4331	5269	3773	7757	9571	9639				
AGBOZUME	3,446	2,755	2,309	3,450	3,226	2,142	5,099	5,299	4,617				
AFLAO	1,110	548	1,274	1,010	1,215	897	700	1,651	1,937				
AFLAO BORDER	1,540	1,170	1,900	1,260	1,577	1,090	1,283	1,553	2,520				
WUDOABA/AFLAO W/C	4,020	2,565	3,091	5,254	4,038	940	4,258	500					
OTHERS/ LORRY PARK	1,122	738	1,301	1,185	1,320	759	547	1,240	1,592				
SUB.TOTAL	15,173	13,455	16,847	13,422	19,913	11,993	20,111	22,157	24,158				
UTAS													
AFLAO URBAN COUNCIL													
AFLAO WEGO AREA COUNCIL								311	247				
SOME FUGO AREA COUNCIL									2653				
SOME WEGO AREA COUNCIL									14				
KLIKOR AREA COUNCIL													
SUB TOTAL													
GRAND TOTAL													

Source: Field Data, December 2014-March 2015

A meeting between official of GTZ and managers of KSMA on Revenue Mobilization

Figure D: A meeting between official of GTZ and managers of KSMA on Revenue Mobilization



Source: Field Data, December 2014-March 2015

This meeting was organized at the instance of the GTZ. This was to orient and sensitize the opinion leaders and managers of the municipality on the relevance of small scale industries and how that can help in enhanced revenue mobilization.