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Incomplete Fiscal Decentralisation: an Impediment For Local Economic Development in Ghana

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Abstract

For the past three decades Ghana's democratic decentralisation policy has sought in vein to establish a local government system capable of pursuing Local Economic Development (LED). One of the major impediments has been the insincere implementation of fiscal decentralisation for the local government to provide the enabling environment for LED. This paper employed primary and secondary data from the Wassa East District Assembly (WEDA) to assess the progress so far in Ghana's fiscal decentralisation and its effect on LED. The paper highlights the potential benefits of LED and the incapacitation of the District Assembly by the Central government for LED financing. The paper again reveals the effects of the constraints of fiscal decentralisation on LED at the local government level and makes policy recommendations towards effective fiscal decentralisation for improvement in LED.

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District Assembly; Enabling Environment; Financing; Fiscal Decentralisation; Local Economic Development.

Introduction

After three decades of decentralised governance in Ghana, it is doubtful whether the expected local development in the form of improved service delivery is achievable. Since the 1980s, developing countries, including Ghana, have adopted decentralised forms of governance in which powers, functions, skills, means and resources were transferred from the centre to the local level.[1] Research indicates that, 80 percent of developing countries are practicing decentralisation[2] with the aim of achieving Local Economic Development (LED).

LED is the process which offers local governments, the private sector and the communities, the opportunity to work collectively to create better

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conditions for economic growth and employment generation in the local economy.[3] The objective of the collective effort is to improve the quality of life for all (World Bank Urban Development Unit, 2003:4 as cited in [4]).

District Assemblies in Ghana are mandated to pursue overall development within their jurisdiction and to deliver LED.[5] According to the National Development Planning Commission (NDPC), District Assemblies are to prepare Medium Term Development Plans in a participatory manner to guide their development.[6] These plans produce in-depth analysis of District economies with regard to the potentials, opportunities, challenges and constraints for development. Based on these plans, Annual Action Plans and Annual Budgets are prepared to guide expenditure on a yearly basis.

Despite the fact that the local government laws prescribe the role to be played by local authorities in delivering LED, the contribution of LED to overall development has not been fully achieved. After decades of decentralised governance, most of the LED businesses remain informal and dominated by micro businesses with several challenges.[7] A number of studies on LED in Ghana point to the fact that local governments have not been effective in performing their role of creating the enabling environment for LED to thrive, especially in the area of LED financing.[8]

The mandate of the Metropolitan, Municipal and District Assemblies (MMDAs) in Ghana is essentially to promote LED through a decentralised governance system. Fiscal decentralisation policies were expected to be implemented to enable the District Assemblies achieve this mandate, so what has happened?This paper argues that the District Assemblies have under performed in terms fulfilling this mandate of delivering LED due to their inability of creating an enabling environment over the years because governments have not been consistent with the implementation of their fiscal decentralisation policies.

This study therefore investigated the extent to which fiscal decentralisation was impacting on LED financing both at the businesses' level and also at the level of the entire area in the Wassa East District (WED).

Methods and Data Sources

The objective of the study was to explore the relationship between fiscal decentralisation and LED in the WED. The study also sought to examine how LED could contribute to development at the local government level. Finally, the study sought to identify barriers to the implementation of fiscal decentralisation at the District Assembly level in Ghana in order to recommend ways of overcoming them.

The WED is one of the 14 Assemblies in the Western Region of Ghana with a total population of 97,940 in 2010 and growing at an annual the rate of 2.1 percent.[9] Established in 1988, the District is said to blessed with natural resources suitable for LED development. These resources include gold, timber, kaolin and arable land for farming food and other cash crops such as cocoa and oil palm. About 88 percent of the population reside in the rural areas that are characterised by poor infrastructure and unavailability of basic services.[10]

Fig. 1: Study Area in National & Regional Context

Source: Adapted from MLGRD, 2019

The District has four sub-Districts namely; Daboase Area Council, Ateiku Area Council, Ekutuase Area Council and Enyinabrim Area Council. This study was carried out in all the four sub-Districts. Figure 1 shows the study area in national and regional context.

The study was guided by the transformativism philosophical world view, which seeks to promote social change [11] especially for marginalised groups.[12] This enabled the research to be carried out with the participants in the survey and with a focus on their needs.[13] Transformativism informed the choice of methods for the data collection from both primary and secondary sources, analyses and interpretation. The instruments used in the primary data collection included semi-structured questionnaires and interview guides for surveys as well as Focus Group Discussions. Key informant interviews were conducted with Senior Officers of the relevant institutions (see Table 1) in order to obtain information from people who were abreast with the issues in the District. All the respondents were key decision makers in matters relating to fiscal decentralisation and/or LED. The interviews took place between July 2018 and February 2020. In all, questionnaires were administered on 263 sampled respondents who were LED business owners. The female respondents were 136, while the males constituted 127.

Table 1: Individuals and Institutions Contacted in the Survey

Heads of Departments/Units	Ministries	Other Agencies
• District Budget Analyst • District Director of Social District Director of Social Welfare and Community Development • District Planning Officer • District Director of Agriculture • Head, Department of Cooperatives • Business Advisory Centre, Head.	• Ministry of Local Government and Rural Development • Ministry of Finance and Economic Planning • Ministry of Business • Ministry of Gender Children and Social Protection • Ministry of Trade and Industry	• Micro Finance and Small Loans Centre (MASLOC) • Rural Entreprises Programme (REP) • Registrar Generals Department • Office of the Administrator of District Assemblies Common Fund • IMCC • OHLGS • ILGS

Source: Author's Construct, 2020

The secondary data was gathered from relevant publications and reports at all levels namely;

- 1992 Constitution of the Republic of Ghana
- The Local Governance Act, LI and related documents
- Census Reports for Population and Housing
- Demographic and Health Surveys
- Integrated Business Establishment Survey
- The Medium Term Development Plans (MTDP) of the District Assembly
- Annual Progress Reports of the District Assembly
- Business Advisory Centre Reports
- Relevant National Policy Documents.

Table 2: Business Categorisation in Wassa East District

Business Categories					
Area Council	**Agric/Agro-processing**	**Fabrication and Repairs**	**Services**	**Traditional Crafts and Woodwork**	**Total**
Ateiku	43	52	15	3	113
Daboase	161	59	98	2	320
Ekutuase	97	16	75	-	188
Enyinabrim	33	46	60	6	145
Total	334	173	248	11	766

Source: Author's Construct, 2019

Table 2 presents the various categories of businesses in WED as presented by the Business Advisory Centre (BAC). Agriculture and agro-processing activities include cassava processing, oil palm processing, soap making, pomade and detergents making and baking. The next is traditional crafts and wood work such as furniture making, basket weaving and sculpture making. The third category is fabrication and repairs and the fourth is services, which include dressmakers and hairdressers.

There were 766 LED businesses in WED which represented the sampling frame. The sampled LED businesses were taken from all four Area Councils including Daboase, Ekutuase, Ateiku and Enyinabrim. Simple random sampling was used to select the LED related businesses and sample size was determined based on14 Slovin's formula as follows;

$n = N/1+N(x)^2$

Where n is the Sample Size; N is the total number of LED businesses; and x is the Confidence Interval (95 percent), thus the margin of error was 5 percent.

$$n = \frac{N}{1+N(X)2} = \frac{766}{1+766(0.05)2} = \frac{766}{1+766(0.0025)} = \frac{766}{2.915} = 263$$

In this regard, the sample distribution in the four Area Councils was as follows:

Ateiku	-	113/766 * 263	=	38
Daboase	-	320/766 * 263	=	110
Ekutuase	-	118/766 * 263	=	65
Enyinabrim	-	145/766 * 263	=	50

Thus, $sa = \frac{\sum_{i=1}^{n} yi(ss)}{N}$

sa = sample allocation per area council
n = number of business categories
y = is the categories of LED businesses
N = total number of LED businesses in Wassa East
ss = is the determined sample size

The respondents were selected from the communities in the Area Councils which had trade associations and across the business categorisations. Hence, the first LED business was selected randomly in a community and the subsequent LED business was selected at the kth value in a systematic manner. In this instance, the value is 3 as shown in Table 3. An approximate number of ten respondents were selected from each community. Figure 2 presents the communities where the respondents were selected from.

Table 3: Selection of Respondents

Area Councils	Number of LED Business in Wassa East District	Number of Respondents	Number of Communities Visited	Probability Proportional to Size
Ateiku	113	38	4	0.34
Daboase	320	110	11	0.34
Ekutuase	188	65	7	0.35
Enyinabrim	145	50	5	0.34
Total 766	263	27		

Source: Author's Construct, 2019

In designing the data collection instruments, care was taken to ensure that the research findings were credible. The units of analysis were the institutions and individuals involved in LED. This study employed the use of both qualitative and quantitative techniques of analyses to draw conclusions. The analysis phase of the research involved arranging, examining, organising and combining the evidence to address the objectives of the study. The data was then presented in cross tabulations where the variables were related to one another for valid conclusions to be drawn.

The issue of ethical consideration for this research is vital, due to our involvement in the process from the beginning to the end. It involved how to minimise the risk of harm and safety for the researcher. The specifics were; approval was sought from the

Department of Planning, KNUST and an introductory letter received specifying the reasons for the data collection which was principally for the purpose of research in the topic specified. This was shown to all the respondents and institutions before the interviews.

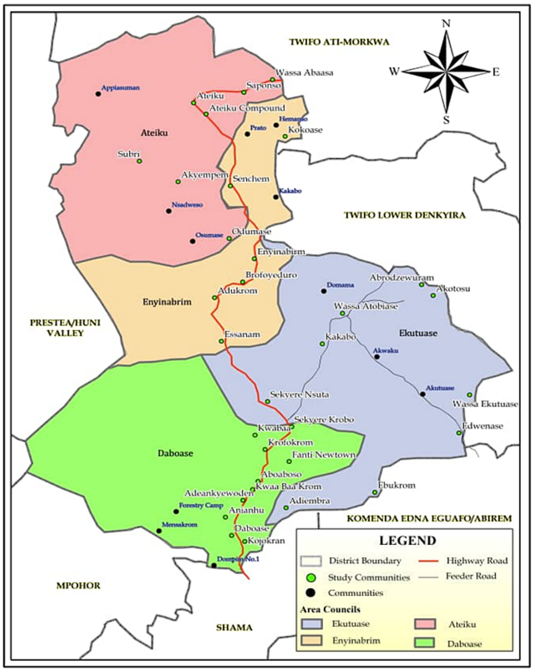

Fig. 2: Study Communities with LED Businesses in WED

Source: Adapted from WED (2017)

Due to the scattered communities in the study area, we used a team of four research assistants for the data collection regarding the LED business owners. we trained the team on the questionnaire to be used prior to the data collection after an electronic version of the questionnaires had been developed on tablets for electronic capturing of the data. During the training of the team, we translated all the questions and read to the team in the Akan language which is widely spoken in the study area. The objective was to ensure that we understood the questions equally and could administer them equally in both English and Akan, depending on the preference of the respondent. Our understanding of the Akan Language provided me insights during the data interpretation. we needed no interpreter and this contributed to the data credibility because what was said was actually recorded with no biases.

Again, we were also aware of the culture and therefore aimed at the days they did not go to farms. we also avoided the market days because they were usually busy on those days. We were very particular with our introductions because it gave the respondents the assurance that the purpose of the research was ultimately to improve LED in the District. Again, respondents were made aware of their right to withdraw but none did.

The participants were consulted and provided with the opportunity to voluntarily give information to the collection of data. We got the consent of all participants, prior to administering the questionnaires as well as all the interviews and meetings. Participants were notified ahead of time and some adjustment had to be made regarding the times for the administration of the questionnaires to ensure that it was convenient for them all.

In ensuring the safety, privacy, confidentiality, anonymity and dignity, we gave the participants the assurance during the data collection that they could not be identified.

Overview of Fiscal Decentralisation

The decentralisation process in Ghana sought to devolve political, administrative and financial authority from the centre to the local assemblies. Article 35 of section 5(d) of the 1992 Fourth Republican Constitution of Ghana charges the state to make democracy a reality by decentralising the administrative and financial machinery of government to the regions and Districts and by creating all possible opportunities to the people to participate in the decision making process.[15] Ghana's decentralisation presents local authorities as the destinations for the functions so decentralised.[1]

The entire process of decentralisation is highly political. It involves the transfer of political and administrative powers and functions to bureaucrats working at the local level, thus moving power from the centre to the local level.[1] Decentralisation therefore comes with local autonomy to enable the execution of the transferred functions. The term decentralisation is used to describe a broad range of public sector re-organisation at the different levels of the governance process.[16]

Administrative decentralisation and planning,which involves the transfer of skills and competences, also takes its roots from Article 240 (2) (d) and Article 245 of the Constitution, puts the responsibility on local government authorities. Again in Article 254, parliament is enjoined to enact laws and take the steps necessary for further decentralisation of the administrative functions but not the exercise of any form of control of the District Assemblies. The specific functions that relate to administrative decentralisation according to the Local Governance Act are public services including sanitation, urban planning, social services such as health, education, production activities, infrastructural development (roads, electricity and sports) as well as justice and security. The deconcentration policy involves a programme in which decentralised sectors and departments co-exists at regional and District levels.[17] Although the functions and levels of authority are clearly defined in various legislations, in practice however, there are overlaps of roles with some ministries and regional level departments involved in direct implementation at the District level.

The constitution of Ghana in Article 240 (2) (c) indicates that a sound financial base would be established for each local authority with reliable and adequate sources of revenue. This relates to fiscal decentralisation, which involves the transfer of means and resources from the national to the lower levels. The provision in the Constitution also shows the two main sources of funds for the District Assemblies, that is, Internally Generated Funds (IGF) and the decentralised transfers. In the former, Article 245 (1) of the Constitution specifies that the prescribed functions for the District Assemblies as determined by Parliament, shall include levying for the collection of rates, fines and other taxes. For the latter, that is,decentralised transfers, Article 252 focuses on the establishment of the District Assemblies Common Fund (DACF) as well as grants-in-aid. The DACF comprises of a minimum of five percent of the total revenues of the country to be disbursed by the Administrator based on a formula developed by the DACF Secretariat and approved by Parliament. This is to enable the District Assemblies effectively perform the functions spelt out as part of the administrative decentralisation. In discussing fiscal decentralisation, the debate centre on centre on the three main related issues namely; who does what in terms of expenditure? Who levies what in terms of revenue? How to resolve the imbalance between the two[1]? The functions ascribed to local authorities do not match the resources thus restricting them in a number of ways. It is worth mentioning that decentralised planning is one key feature of Ghana's decentralisation.Other countries including Tanzania, Kenya, Bangladesh, Zimbabwe, Nepal and India have also made decentralised planning a principal function at the lower levels.[18]

Decentralisation comes with inherent benefits such as balanced development through the implementation of realistic projects and programmes initiated in a participatory manner. None-the-less, there are some disadvantages that come with decentralisation such as the tendency to increase disparities among local areas. Decentralisation comes as a cost to politicians at the centre who go through the unpleasant feeling of relinquishing power to the lower levels. In Ghana's case, our position is that, fiscal decentralisation is deliberately frustrated in order to retain power at the centre, thus in spite of all the efforts being made, there is the what can be described as recentralisation in some aspects of the process through the establishment of some state agencies with functions including direct implementation at the District level.

Local Economic Development in Ghana

One of the key deliverables of local government in achieving their mandated overall development is LED.[5] LED is most times described in terms of its objectives, hence the questions "why LED?" and not merely "what is LED?". In answering the question 'why', LED is viewed as a procedure that affects the growth and restructuring of an economy leading to such desirable benefits including the creation of jobs, the facilitation of new business start-ups, the strengthening and expansion of existing enterprises, the introduction of new entrepreneurial opportunities for women, as well as the improvement of quality of life.[19] LED is a process that impacts on the progress of restructuring in an economy for anticipated positive results in the form of employment generation, expansion in businesses and improvement in living standards.[19] The LED Policy in Ghana considers LED as the process by which government, business and non-governmental sector work together to create improved situations for economic growth and employment creation.[4]

Generally, perceptions about LED can affect how the relationship between fiscal decentralisation and LED is viewed. LED can therefore be viewed as a strategically planned process of integrated interventions across multiple sectors.[19] LED therefore denotes sustainable development, premised on stakeholder participation with efficient local leadership. LED activities take place in well-defined geographical areas and its participatory bottom-up approaches help in stimulating and promoting economic growth and well-being. We maintain that in a decentralised governance system, LED could either be public-sector-led or private-sector-led. In both instances government is expected to provide the enabling environment for the private sector to participate in the process. LED is affected by all local government activities and it is this reason, the Local Governance Act (2016) Act 936 and 940 as amended, as well as the Mineral Development Fund Act (2016) Act 912, emphasise LED at the local level.

There have been a number of interventions towards the development of LED in the WED over the years but these have not been able to yield the needed growth because all these processes are impeded by the incomplete fiscal decentralisation being practiced at all levels in Ghana.[1]

The Benefits of Local Economic Development

The benefits of engaging in LED business to the owners in particular and the local economy are not in doubt. The results of the survey among the business owners revealed that majority of the respondents had enjoyed some benefits engaging in LED businesses as their source of employment, income and livelihood. At the household level, 52.1 percent of the respondents indicated that LED businesses provided them with incomes and also helped them to provide for their household needs. For 28.5 percent, it was their source of employment and 16.0 percent indicated it was their source of basic need provision. The remaining 3.4 indicated they benefitted through skills development. For the District Assembly, the respondents indicated that LED businesses generated revenue and subsequently brought development through provision of goods and services (29.3 percent), increased revenue (27.4 percent) and livelihood development and increased development 26.2 percent and 17.1 percent respectively. The respondents noted that at the national level, LED businesses contribute significantly towards the payment of taxes, that is, 45.6 percent. That for increased development was 27.4 percent, employment generation, 20.2 percent and supply of goods and services for consumption, 6.8 percent. This resonates with what the LED Policy indicates that LED is beneficial.[4]

Challenges Confronting LED Development

In spite of the huge benefits attributed to LED businesses, they face a number of daunting challenges including limited access to finance. In virtually all jurisdictions, funding has proven to be a challenging issue in LED development.[19] The funding issues may be categorised into two; one is the limited funding for the District to create the enabling environment for LED businesses to take advantage and grow while the other is limited finance for the individual businesses for to grow and expand. The fact that funding is emerging as a major constraint is not surprising because about 95 percent of the businesses interviewed were sole proprietors with all the associated risks. Other challenges relate to human capacity and provision of equipment.

From the survey, 68.1 percent of the respondents indicated that their challenge regarding finance was due to inadequate capital to fund their businesses, while the others attributed this constraint to the limited access to financial services (10.3 percent) and high interest rates (14.8 percent) as well as the high cost of labour (2.2 percent). According to the respondents the cost of labour had always been high because of the proliferation of mining activities in the District and the attraction of the youth to the artisanal mining activities. The remaining 4.6 percent attributed theirs to poor marketing.

The amounts provided as loans were also assessed. The size of loans ranged from GH¢200 to GH¢10,000 (7.7 percent) with an average of GH¢2,738. The modal amount was GH¢1,000 and GH¢4,500 which accounted for 15.4 percent. The implication here is that the LED businesses in the District do not require huge sums of money for their operations. In terms of frequency the survey showed that 31.7 percent had received loans once in a year, while 43.8 percent had received loans twice in a year. The remaining had taken loans between three to five times within a year. By implication, most business owners applied and received loans multiple times because the amounts involved were relatively small. These not with standing, the Ministry of Gender Children and Social Protection (MoGCSP) indicated that the Department of Gender trained micro finance companies to provide gender sensitive loans where there are no collaterals required and even if they were, jewelleries and other properties mostly used by women but of value could be accepted as guarantee.

The interview with the Ministry of Local Government and Rural Development (MLGRD) revealed that LED programmes at the national level were funded by the Ministry's component of the national budget. The MLGRD and the District Assembly indicated that in earlier times, five percent of the DACF was used as Poverty Alleviation Fund (PAF), with the intention of providing support for individual business owners. According to the District Assembly, a survey conducted in 2001 revealed that the funds were not sustainable because though it was intended to be a revolving fund, the recovery rate was very poor. The District Assembly therefore had to follow the Central Government's directive of stopping the administration of such funds.

The entire District has only two rural banks and two other financial institutions, making physical access to banking services difficult.[10] The challenge of inadequate capital resources is compounded by the low yields from sales and high interest rates of between 30 and 35 percent charged by the banks. The constraint of high interest rates was more pronounced with the female business owners, who indicated that most of their sources of funds were from informal sources.

The Ministry of Trade and Industry (MOTI) and MoGCSP indicated that no start-up funds were provided after skills training for LED business development. This was also confirmed by all the departments and units at the District Assembly level during the survey. Funding sources for LED activities in Ghana are predominantly external, some of which are targeted at the youth and women, as follows

- International Fund for Agricultural Development (IFAD) and African Development Fund(ADF) supports the Rural Enterprises Programme;
- Deutsche Gesellleeschaft fur Internationale Zusammenarbeit (GIZ)trains and supports industries as part of its Corporate Social Responsibility; while
- Department for International Development (IFID) undertakes business regulatory reforms.

The MoGCSP also indicated that poor access to credit and the fear of taking financial risks is a major constraint to business development.[7] The Ministry of Business Development (MoBD) and the Micro-Finance and Small Loans Centre (MASLOC) indicated that there were facilities open to all but there were some that targeted women. According to the Public Relations Manager of MASLOC, the organisation works under the Office of the President. It provides micro and small loans for start-ups and small businesses with fast, easy and accessible micro credit and small loans to grow and expand their businesses in order to enhance jobs and wealth creation. The survey revealed that MASLOC provides credit to three categories of LED businesses. The first category is micro businesses and petty traders in groups of 25, who are given GH¢1,000 each with the entire group serving as collateral and three members serving as guarantors. The second category is for start-up of businesses and each beneficiary is given between GH¢ 5,000 to 20,000 with one or two guarantors. The last category on the MASLOC list is manufacturers and they are given amounts ranging from GH¢25,000 to GH¢500,000. The latter requires collateral and guarantors because of the size of the loans being granted. The application process for the MASLOC loans requires all loan applications received to be critically assessed by Project Officers and reports submitted to an approval committee at the national level. Approved applications are then sent to the Ministry of Finance through the Head of Credit and the Legal Committee. The application then comes back to the Chief Executive Officer (CEO) for final approval. This procedure cannot by any means fit the requirements for fiscal decentralisation.

The Ministry of Business Development (MoBD)seeks to create an enabling environment for private sector-led investment by providing support for start-ups and small businesses in the country. Unfortunately, the Ministry does not have any regional or District presence, as a result, applications are submitted online directly from prospective beneficiaries. This automatically cuts off those with internet connectivity challenges especially in the rural areas. Disbursement of funds by the Ministry is in

Accra. The Ministry revealed that their loans come with an interest of 10 percent and starts from GH¢ 10,000 to be payable in a year with three months' moratorium. The Ministry again revealed that some of their financial support come as grants and beneficiaries go through a competitive process to win but in all of this, there is monitoring to ensure that the businesses actually exist and they are sustainable. Both the MoBD and the MASLOC indicated that they had a number of challenges in the delivery of their mandate. First, there is political patronage. Beneficiaries have always emerged from political parties and eventually when the loans are received, some deem it government money and so they consider the loans as their reward for being party activists.

Decentralised governance is expected to provide infrastructure for LED businesses to thrive. The survey revealed that 30.1 percent of the LED businesses considered inadequate infrastructure in the form of poor road condition and network as the main constraint to their businesses. Again, 27.3 percent complained of the absence of modern market facilities with lockable stores to enable them keep their products securely in the markets to reduce the cost of transporting them daily. Water and sanitation facilities remain a challenge to 33.1 percent of the respondents. The absence of streetlights was rightly perceived as security threat to 9.5 percent of the LED business owners. These infrastructure deficits in the District, created over three decades ago, clearly point to the failure of the decentralisation process to address the needs of the people.

The survey also sought to ascertain the level of commitment by the business owners in relation to payment of Business Operating Permit fees to the District Assembly. Among the LED businesses interviewed, only 55.5 percent indicated that they paid such fees while 44.5 percent mentioned that they had never paid any such fees to the District Assembly. This does not support the view that increasing LED businesses will automatically increase the fortunes of the District Assembly through the payment of fees. The 44.5 percent who did not pay any fees to the District Assembly gave several reasons including ignorance of the existence of such fees. They claimed no official had come to collect such fees from them, while others said they had not paid due to the small nature of their businesses as well as the fact that they had not been in the businesses for long.

The District Assembly revealed that very few businesses applied for building permits amounting to just about ten percent.

Capacity of the District Assembly to Generate Revenue to Support LED

Fiscal decentralisation can be sustained if the District Assembly is able to generate its own revenues internally. The study sought to assess the revenue mobilisation capacity of the WED by analysing its revenue sources over a period. The trend of the District Assembly's revenue sources is presented in Table 4. Obviously the biggest source of revenue for the District Assembly was the DACF with an average of 36.3 percent over the five-year period while the IGF, including lands and mineral royalties amounted to an average of 22.2 percent. As noted earlier the DACF comes with a number of guidelines that serve as restrictions for the District Assemblies. Thus the DACF has become a source of income that the District Assembly had little control over. An interaction with the Secretariat of the DACF revealed that the responsibilities of the office include the review of the formula for the distribution of the funds, distribution of the funds and reporting on the utilisation of same. The Ministry of Finance provides financial ceilings for all District Assemblies as a guide in their budget preparation. These ceilingsare however hardly received by the District Assemblies for a number of reasons such as the Central Government not receiving all projected revenues. According to the DACF Secretariat, a percentage of the funds are retained and disbursed at the centre on behalf of the District Assemblies. Such reserve funds are used for Regional Coordinating Council (RCC) monitoring of District Assemblies, training or capacity building, Member of Parliament allocations and their monitoring as well as the functioning of the DACF Secretariat. Unfortunately, the size of the funds retained is neither fixed nor capped and left at the discretion of the Secretariat.

The District Development Facility (DDF) is a performance based grant provided to the Assemblies on condition that they pass an assessment named the District Assemblies Performance Assessment Tool (DPAT). In 2019, the name of the fund was changed to District Assemblies Common Fund-Responsive Factor Grant (DACF-RFG) because it contains a portion of the DACF and other donor funds from the German, Swish and French Governments.[21] The question is, must the DACF which is supposed to be shared among the Assemblies be tied to an assessment and should it be a reward for passing and a punitive measure for failing as the case may be? This Fund also has restrictions regarding its disbursement. The funds can be used only for socio-economic development projects with direct benefits the communities and must not be jointly used with other funds in the execution of projects.

Table 4: Wassa East District Assembly Revenue Sources from 2014 to 2018

Revenue Sources (GH¢)	2014	2015	2016	2017	2018
IGF	492,085	823,632	1,205,928	833,310	1,112,909
DACF	1,492.456	2,127,187	1,427,796	1,076,146	1,180,725
MP's CF	103,256	228,603	2,862,02	172,440	292,132
PWDs CF	30,754	89,658	107,810	5,000	261,433
MSHAP	-	10,769	10,769	2,299	11,846
GSFP	548,742	285,826	-	-	1,234,345
SRWSP	812,603	1,005,68	541,926	-	-
DDF	462,769	462,789	543,426	-	536,506
LEAP	141,264	141,264	141,264	141,264	175,210
Other (Donors)	-	6,000	6,000	41,900	92,086
Goods and Services	36,080	19,005	32,425	94,827	118,332
Total	2,627,556	4,194,736	4,017,346	2,367,188	5,015,528

Source: WED, 2019

Table 5: Internally Generated Funds from 2014 to 2018

Revenue Item	2014 Amount	%	2015 Amount	%	2016 Amount	%	2017 Amount	%	2018 Amount	%
Lands/Royalties	1,23,359	26	2,84,061	34	7,78,303	65	2,89,939	35	5,87,554	53
Rates	63,395	13	2,81,574	34	1,94,494	16	1,86,295	22	2,10,717	19
Rent	390	0	10,340	1	4,121	0	2,214	0	5,496	0
Licenses	1,21,103	25	106.564	13	1,67,841	14	2,68,297	32	2,11,665	19
Fees	20,366	4	1,08,564	13	58,833	5	82,572	10	75,178	7
Fines, Penalties	400	0	5,693	1	1,205	0	2,079	0	6,021	1
Miscellan-eous	1,54,069	32	27,073	3	1,000	0	1,911	0	16,277	1
Total	**4,83,082**	**100**	**8,23,632**	**100**	**12,05,799**	**100**	**8,83,310**	**100**	**11,12,909**	**100**

Source: WED, 2019

Table 5 shows the District Assembly's revenue from 2014 to 2018. The Internally Generated Funds (IGF) of the District Assembly was subjected to an analysis to determine the contribution from businesses within the District. The analysis revealed that the bulk of the IGF was from lands and mineral royalties, which formed an average of 42.6 percent over the five-year period. According to the District Budget Officer, the District Assembly could receive more from Business Operating Permit categorised as license. So many reasons accounted for the shortfalls. These include the general unwillingness to pay taxes, the difficulty in accessing some areas of the District due to the poor road network and conditions as well as the limited information on revenues collected and their usage to the citizenry. The Budget Officer of WED indicated that some of the strategies the District Assembly has employed to increase revenue are the use of task force for collection, increasing stakeholder consultation during fee fixing and giving of discount to those who pay early in the year. Those who pay in January receive ten percent discount while those who pay in February and March get five percent discount.

Barriers to Fiscal Decentralisation

Ghana's fiscal decentralisation is characterised by barriers that have impeded the pace of implementation in the entire decentralisation process. This is largely because the functions to be performed have not matched the resources at the disposal of the District Assemblies.[1]

In the first place the Districts have poor revenue database, which is a contributory factor to a weak revenue base. For effective IGF mobilisation, there is the need for reliable data on all rateable items within the Assembly. One of the functions of the sub-District structures is the collation of data on rateable items. The general weak sub-structures have made it difficult for this responsibility to be undertaken. Again, most of the taxable properties are not valued for realistic rates to be charged. The responsibility for the valuation of properties in Ghana is the prerogative of the Lands Valuation Division of the Lands Commission. With their limited resources, it is extremely difficult to meet the demands of all the District Assemblies whose numbers keep increasing by the day. The main question that lingers on is 'what can Local Governments collect as revenue'? Generally, districts are left with tax areas that are poor in terms of yields and they become smaller in the event of the multiplicities of District Assemblies. Central governments handle the indirect taxes in most cases while local authorities deal with direct taxes that require more effort to collect such as property taxes, licenses and permits. Incidentally the District Assemblies have limited staff with far less capacity to mobilise the difficult-to-collect taxes assigned to them.

This has left the District Assemblies with no other option but overly dependence on central government transfers that are relatively stable but highly unreliable. As long as there is depend on central government transfers and grants, the barriers will persist. The DACF comes with guidelines for mandatory projects such as the construction of Community-based Health Planning Services facilities and classroom blocks that may not be the felt needs of the communities. Districts Assemblies are forced to undertake these projects. Again, if generic training is organised without recourse to the specific training needs of the individual District Assemblies and the cost deducted from the DACF then it diminishes ideals of fiscal decentralisation.

According to the LED business owners, the District Assembly does not consult the relevant stakeholders when fixing the rates and fees even though the respondents are willing to participate in the process. The District Assembly on its part claimed that they invite the leadership of the groups and associations to meetings to discuss the rate impost every year. It is a fact that people are reluctant to pay taxes when they are not aware of what their taxes are used for. There is therefore the need to ensure accountability and transparency in order to encourage citizens to pay.

The belief that when government is brought closer to the people it would result in better and more efficient outcomes and also produce greater social welfare has been a strong incentive to create more Districts in order to decentralise. The fragmentation of local government produces hurdles in the execution of cluster strategies due to the difficulty in coordinating across a number of local government entities thus, in solving environmental problems for example, there may be constraints because the problem may be emanating from different jurisdictions.[20] This questions the measures adopted by successive governments to create more Districts and regions in order to bring about more development. To address these and other related issues, District Assemblies are made to pass resolutions to handle local problems centrally. After the resolutions, deductions are made from their expected funds at source to solve the problems centrally and on behalf the Districts mostly at a much higher cost. One major example is sanitation management.

The District Assembly indicated that they relied on the fee-fixing guidelines provided by the MLGRD for the imposition of their rates taking cognisance of the upper and the lower limits within which they are allowed to charge for the purpose of uniformity. The question is, what is the basis for fixing the limits? May be the assumption is that all Districts are the same so no District is unique enough to decide based on their niches. Surprisingly, however, there are no ceilings regarding the allowances District Assemblies are to pay their members and this leaves the Administration at the mercy of the Assembly members who have the power to fix their allowances out of the IGF of the Assembly. This becomes burdensome for the Administration of the Assembly that is expected to use 20 percent of the IGF for development or capital expenditure, 10 percent for addressing sanitation issues and another 20 percent for servicing the budgets of the other departments aside from the Central Administration as part of the indicators for the annual DPAT Assessment.[21]

Achieving Local Level Development through LED

Promoting LED has been a major desire of local governments for a long time because it can positively impact on local level development. The LED approach relies on the participation of a wide variety of stakeholders to identify local problems and opportunities to solve them by formulating and implementing appropriate strategies to address them using local resources.[4]

Financing is very important and is arguably the most effective strategy of creatingLED enabling environments.[19] For the private sector, the challenges that come to the fore for LED businesses are high cost of doing business, inadequate access to long term financing for businesses, bureaucracies and absence of supportive economic structures.[22]

The first and probably the best strategy of creating an enabling environment for LED is economic. This could be by strategically facilitating access to finance for the individual LED business owners or starters. Financing business development directly from government sources has never worked well in Ghana due to the disconnect between the external institutions and the District Assembly. At best, the District Assembly could link these businesses to institutions such as MASLOC, MoBD and private financial institutions for support. The group lending strategy adopted by MASLOC could be encouraged because of the existence of trade associations. Group lending minimises transaction cost and the members of a group can access small loans through that group.[23] One source of securing formal funding for LED businesses is micro financing. Unfortunately, the recent problems within the financial sector leading to the collapse of some banks and micro finance institutions has broken the trust growing between the LED business owners and the private financial institutions.

From the analysis so far it is clear that the DACF remains the main source of funds for development. The best approach is for government to strengthen the decentralisation process through fiscal decentralisation by reducing the mandatory deductions and restrictions. It is also a fact that centralised disbursement has a higher risk of corruption, partisanship and more wide spread negative consequences. The District Assembly should as a matter of policy, set five percent of every DACF allocation aside for LED financing. If this is done, without having to worry about the mandatory allocations which can take up to 30 percent, there will be sufficient funds to supplement the IGF to take care of the much needed economic ventures, social services and environmental management. The economic ventures as outlined in the DACF guidelines include energy or electricity supply, market infrastructure development, industrial development and agricultural development. The rest are roads and streets upgrading, construction of bridges and culverts, ICT and private sector support. All these have positive implications for LED. This proposed fund is expected to cater for expenditure such as start-up capital, start-up equipment, skills development and training, facilitation for business registration and so forth.

The District Assembly should prioritise business development and reserve at least 30 percent of their Mineral Royalties for LED related activities while they step-up the collection of IGF by identifying new items for collection with the support of the sub-structures who have performed abysmally over the years and need to be strengthened. Again, the database on revenue items should be updated constantly using the appropriate software applications to aid in the collection of revenue. As long as the responsibility for property valuation remains solely in the hands of the Valuation Division of the Lands Commission, the rateable data base will continue to be weak and inadequate because the Commission is constrained by limited staff and other logistical challenges. It is recommended that District Assemblies be allowed to engage private firms for the valuation while the

Lands Valuation Division certifies the work to ensure that they meet the requirements and standards. This will reduce the time spent on valuation of properties by the various District Assemblies.

The analysis also revealed that one major constraint was the absence of start-up equipment support. Assessment of equipment needs should be carried out as part of the training needs assessment. This will ensure that those trained will not waste the training because of the absence of basic equipment. The study recommends that the District Assembly should create a revolving fund for the purpose of providing basic tools and equipment and the cost paid by beneficiaries over a period. This process should be managed properly so that it is not politicised like the PAF in the past. Beneficiaries should be fully assessed to ensure that they can pay for the cost of the equipment over the agreed period. Those who are able to pay over the stipulated period are the ones that should be considered for relatively more sophisticated equipment in the future. The bottom-line is to make the payment terms flexible for the recipients.The direct support with equipment as start-up will prevent the fear of misusing and misapplying funds that are usually provided from government sources for such purpose.

The District Assembly should ease some of the burdens of LED businesses by facilitating site development, instituting tax holidays, and facilitating the preparation of business plans and marketing for the LED products while identifying innovative strategies for more revenue generation. The DistrictAssembly could also consider incentives such as recognitionof consistent rate payers, awareness creation on the need to acquire permits for business establishments and using the existing rural banks to manage the District Assembly's micro-finance efforts.

The study recommends that the District Assembly strengthens the departments or units handling LED related activities including Departments of Agriculture, Social Welfare and Community Development, Trade, and Finance as well as the Budget and Rating units and the Development Planning Units. In addition to handling their training needs the relevant departments should come together as an Economic Development Committee to handle all economic development programmes including planting and rearing for food and jobs, One District, One Factory, Rural Enterprises andthe Centre for Agriculture Commerce and Technology.

In order to facilitate the work of the Committee, it is recommended that a database of LED businesses be established. The WED should support the Committee to undertake a survey and map out all existing LED businesses in order to build a comprehensive database of LED businesses that will include their physical locations, type of business in additionto any other information required. This database should be co-hosted by the Development Planning Office and the Business Advisory Centre and they should be responsible for updating the database quarterly.

The programme being implemented by the Registrar Generals Department aimed at the automation of business registration starting from Greater Accra should be decentralised to the Assemblies to enable the Districts capture information on all LED businesses. Through this any business that registers at the District Assembly will be automatically registered with the Registrar Generals Department. This will enable the Registrar Generals Department to categorise the businesses into the various types and their distribution across the various District Assemblies in the country.

The District Assembly should enact byelaws to protect LED businesses especially in terms of land tenure and security. To support such a legislation,the MLGRD could consider developing a law on LED with clear instructions for LED development at the local level. This will coerce the District Assemblies to create the enabling environment for businesses to thrive. The LED Policy should be disseminatedwidely to enable potential businesses to take advantage of the provisions in it and develop their businesses.

One of the engines for propelling LED businesses is infrastructure. The survey revealed that infrastructure provision was skewed towards the District capital, Daboase. The District Assembly should therefore pursue vigorously the provision of infrastructure for LED. There should be a comprehensive audit of the existing infrastructure in the District across all the sub-sectors; roads, electricity, water, sanitation, health, education and even training centres. This catalogue should be related to the planning standards in respect of threshold population and physical accessibility to the facilities. A proper infrastructure plan should be prepared indicating how gaps will be filled, when and by who because there are levels of some facilities that are beyond the District's ability to provide. The District Assembly should ensure balanced development by way of infrastructure provision based on a well prepared scalogram which will depict where all facilities are located and the need to ensure equity. Efforts should be made to ensure balanced distribution of basic infrastructure including roads, electricity, water and sanitation facilities. As an initial effort, the District Assembly should engage the Electricity Company of Ghana for the intended coverage over the period. Over the years, the District Assembly's role had been the provision of electricity poles to facilitate electrification projects. This the District Assembly should consider as a priority. The District Assembly should allocate funds for reshaping of unpaved roads from time to time because the area falls within the tropical rain forest zone, which is characterised by heavy rains and run-offs. The District Assembly should engage the relevant road sector agencies to know the intended road construction projects and make the necessary follow-ups to ensure project implementation.

The next recommendation is to streamline the land tenure system in favour of business establishment. One major problem of business development is land acquisition. The common problem is the inability to acquire large tracks of land due to fragmented ownership. The Assembly should could acquire land and fully document same for business development. When this is done, the land could serve as equity for the Assembly to leverage on and demand portions of the profit while the business thrives. With such an arrangement the District Assembly can easily grant tax holidays to boost production and profit margins. Again, it will help the District Assembly monitor the development of these businesses so that their teething problems could be identified and solved because the District becomes a major stakeholder.

More importantly and in the wake of sustainable development[24] there is the need to incorporate environmental sustainability in business development. The study revealed potentials in WED for LED development by virtue of the existing resources. In order to exploit these resources as raw materials for development of businesses, there is the need to incorporate environmental sustainability in all pro-LED programmes to create environmental consciousness against depletion of resources. With emphasis on sustainable development, there will be implication for exploiting natural resources in a sustainable manner to ensure continuous production while distributing the benefits in an equitable and fair manner.[25, 26]

The first set of recommendations under social capital development and inclusivity in creating the enabling environment is to increase stakeholders' involvement in the development process. The importance of stakeholder involvement in local governance and accountability cannot be over emphasised. It should therefore be backed by a legal framework. The study noted the opportunities for training that exist at all the levels for business development and recommends that all beneficiaries who go through the training programmes must complete the cycle of training. After the skills development, there is the need for follow-up with managerial training and provision of start-up capital. There should also be monitoring to be sure of their progress while evaluating them at intervals to ensure the objectives of the training are met. There should be a programme to pair businesses that are doing well with those that are not for coaching and mentoring so that best practices can be shared and learned.

Finally, Assemblies and Civil Society Organisations must promote LED by way of sensitisation. They should also support revenue mobilisation by publicising the annual fee-fixing resolutions. The Assembly Members are also expected to help identify the economic potentials of the District and promote local investments.

Conclusion

We conclude that decentralisation generally lacks consistency from jurisdiction to jurisdiction, and that it tends to wax or wane depending upon a number of factors. One major factor is political commitment and the willingness of centralised authorities to devolve power and the willingness of local authorities to assume authority. The economic or financial factors involve the depth and breadth of local capacity to strategically and operationally undertake development.[19] The effectiveness of the DACF in addressing the financial needs for instance is diluted and local authorities can be useful in meeting the development needs of their people only if they up their game in IGF generation. Until the Assemblies see LED as their niche and prioritise their expenditure in that direction, they will continue to be so under resourced that they cannot deliver their mandate of ensuring overall development of the areas under their jurisdiction. It is therefore necessary for Civil Society organisations and think tanks to advocate for central government to fully implement the fiscal decentralisation policy to give real meaning to decentralised governance in Ghana.

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