EFFECTS OF DISTRICT ASSEMBLIES COMMON FUND ON REVENUE MOBILISATION AND EXPENDITURE PATTERNS IN THE DISTRICT ASSEMBLIES

A thesis submitted to the Board of Postgraduate Studies, Kwame Nkrumah University of Science and Technology, Kumasi in partial fulfilment of the requirements for the degree of Master of Science in National Development Policy and Planning

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ABSTRACT

The current decentralisation policy was introduced in 1988 under the PNDCL 207, principally to address the imbalances in development between rural and urban areas of the country. The whole concept of the decentralisation policy is grounded on the idea of popular participation in the decision making process. The policy saw the establishment of one hundred and ten districts. Within the framework of the policy, each district capital is expected to serve as a focal point for socio economic development of the entire district.

Central government has therefore made available several sources of revenue to the district assemblies. The statutory basis for the district assemblies revenues is provided for under Acts of parliament including the 1992 constitution (sections 245 - 252), the Local Government Act 462 of 1993 and the District Assembly Common Fund Act 455, also of 1993.

The introduction of the DACF has had some effects on the activities of the district assemblies. The aim of this study is to establish, empirically, the effects of the DACF on revenue mobilisation and expenditure patterns in the district assemblies. Amansie East and Atwima districts in Ashanti Region were randomly selected for the study. Revenue and expenditure data were collected from the sample districts to facilitate quantitative analysis of the study. Results of the study show that after the introduction of the DACF, there has been an increase in total local revenue arising mainly from lands and investment income. However, there has been a reduction in income from some important traditional sources such as rates and licences. The study also indicates that the DACF has necessitated an increase in capital / development expenditure over recurrent expenditure with greater proportion of the capital / development expenditure directed at social sector development. It was also observed that with the increasing demand for social and economic facilities or infrastructure from almost every town or village, available revenues to the district assemblies are inadequate.

It was therefore recommended that the central government should increase the DACF while district assemblies also intensify their revenue mobilisation effort.

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ABBREVIATIONS AND ACRONYMS

CPP	Convention Peoples Party
D.A	District Assembly
DACF	District Assemblies Common Fund
DCE	District Chief Executive
ERP	Economic Recovery Programme
F & A	Finance and Administration
IGF	Internally Generated Funds
IMF	International Monetary Fund
IRS	Internal Revenue Service
LFR	Local Fiscal Resources
L.G.I	Local Government Inspector
MLGRD	Ministry of Local Government and Rural Development
NALAG	National Association of Local Authorities in Ghana
NDPC	National Development Planning Commission
NGOs	Non Governmental Organisations
NLC	National Liberation Council
NLCD	National Liberation Council Decree
PNDC	Provincial National Defence Council
PNDCL	Provincial National Defence Council Law
PAS	Public Address System
RCC	Regional Co-ordinating Council
RS	Revenue Superintendent

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CHAPTER ONE

GENERAL INTRODUCTION

1.1 Background To The Study

The development of democracy and decentralisation at the local level has to an increasing degree captured the interest of the countries around the world especially the developing ones. The main objective of these changes is to improve the public sector functions and thus contributing to the quality of life of the citizenry. Appiah *et al* (1999; 1) contend that decentralisation in particular has been an important method in tackling many of the challenges of countries throughout the world. Decentralisation ensures public accountability as the local self-government is subject to democratic control and makes it easier for the citizens to participate in, and influence the decisions made by the local authority.

Decentralisation to the lower levels of government is a complex phenomenon including issues of finance, administration, control and accountability. Habitat II (1994; 51) reports that before the attainment of Ghana's independence in 1957 and some time thereafter, various commissions and committees of enquiry were appointed to enquire into the administration of the country. They made far – reaching recommendations for the devolution of central administrative authority to the regional, district and / or local levels. This was an attempt to redress the primary problem of rural under- development and to address the imbalance in development between rural and urban areas.

In spite of the far reaching nature of the recommendations which were further consolidated by legislation, Ayee (1997) writes that the objectives of the national policy of decentralisation still remain to be achieved. The importance of finance for a successful implementation of decentralisation policies has been noted. Ahwoi (1994) contends that attempts in the past to decentralise have failed because central government devolved functions to local government bodies but held on to the means with which those functions were to be performed. It is in recognition of this problem that the District Assemblies Common Fund (DACF) was established under the

that the District Assemblies Common Fund (DACF) was established under the constitution of 1992. Accordingly, Parliament enacted the DACF Act (1993) Act 455. Section 1 (2) of Act 455 provides that the DACF comprises all monies allocated by Parliament under Section 2 of the Act to the district assemblies and any interests and dividends accruing from investments of money from the fund. Section 2 of Act 455 also provides that the DACF shall be allocated to the 110 districts in quarterly instalments. This is to ensure continual flow of financial resources to the district assemblies. Section 9 of the same Act allows the minister of finance to determine the category of expenditure of the approved development budget that must in each year be met out of amounts received by the district assemblies from the DACF. Accordingly, the minister of finance issued guidelines for the utilisation of the fund, among which are:

1. District assemblies may allocate not less than 20 percent of their share of the DACF to promote and support income generation in the districts; and
2. Projects embarked upon by the district assemblies with the DACF should conform to national policies, objectives and plans.

Nyarko and Eghan (1998; 1) claim that the DACF was introduced to complement locally generated revenues which the district assemblies (DAs) are empowered to mobilise. Local Government Act 462 of 1993 which gives mandate to the DAs introduces a system of fiscal decentralisation by giving the Assemblies control over a wide range of revenue sources for development at the grassroots.

Not oblivious of the introduction of the DACF, Diaw (1996; 38) warns that the future of local councils (i.e district assemblies) in Ghana is bleak if authorities at the local level are unable to raise enough revenue to implement local development programmes. Thus his concern is for the Assemblies to take advantage of Act 462 to mobilise enough revenue for development if they are to stimulate an overall national development. Boachie-Danquah (1996; 1) however notes that revenue mobilisation and its management constitute core areas in decentralised local government administration in Ghana. This is particularly true because as he has noted, with the availability of the DACF there is the tendency of local government bodies to relax in their revenue mobilisation effort. The uncertain relations and associated problems that

exit between the DACF on one hand and revenue mobilisation and expenditure of the district assemblies on the other hand has remained a prime concern of most development activists in Ghana.

1.2 Problem Statement

The decentralisation policy was introduced by PNDCL 207 of 1988. Its prime objective is the restructuring of political and administrative machinery of government for enhancement of decision making and development at the grassroots level. Realising the critical role of finance for a successful implementation of decentralisation policies, numerous revenue sources are made available to the district assemblies through Act 462. Government has also provided the DACF to give the Assemblies the necessary push to motivate them to take off for a sustainable development. Before the inception of the DACF, expenditure of the assemblies was often skewed towards recurrent expenditure. Realising that the situation does not augur well for development, government introduced the DACF to streamline the path for development.

With the introduction of the fund however, the financial enigma had been reduced, (Kroes and Abrampa, 1996) as most District Assemblies now rely very much on it to meet the development needs of their districts. According to Boachie-Danquah (1996; 1), since the advent of the fund some amount of complacency has set in. He is convinced that the initial urge of the assemblies at revenue mobilisation is being sacrificed on the altar of sudden affluence.

These and other reasons point to the fact that the introduction of the DACF has affected the revenue mobilisation activities and also caused possible changes in the trend of development and expenditure patterns of most District Assemblies. During a working tour of the Afram Plains in February 2000, Cecilia Johnson (then a deputy minister for local government) admitted that there are frequent delays in the release of the fund to the Assemblies. Such delays are associated with series of problems, which can hinder development. In the light of problems and uncertainties, the Assemblies' capacity needed to respond effectively to their ever increasing spending needs for

development could be jeopardised. It is the aim of this study to establish empirically the effects that the DACF has on revenue mobilisation and expenditure patterns in the district assemblies. The study would offer suggestions to improve mobilisation and management of district assembly finances in 5the light of current conditions.

1.3 Justification Of The Research

If the district assemblies are to fulfil their role of supporting local level development, then there is the need to ensure that there is a solid financial framework for them. Ahwoi (1995; 12) believes that if the DACF is implemented without the usual budgetary excuses that is, if funds are released regularly, it will be a real fulfilment of the hopes of government to strengthen the capacity of the DAs. It is important to note that as long as the DAs are substantially dependent on the DACF any delay in the release of the fund could put development plans of the districts out of gear. Nsiah (1997; 66) explains that the delay in releasing the DACF to the district assemblies affect contract sums of projects since the actual value of the money is taken up by inflation. He also establishes that the contribution of locally raised revenue to the assembly's[1] total revenue between 1994 – 1995 fell to less than 30 percent. He attributes the shortfall to the introduction of the DACF. Nsiah asserts that this has incapacitated the district's effort to initiate and finance programmes from their own revenue sources. If indeed the alteration in local revenue generation and expenditure is significant, then the use of the DACF should be researched into.

There is also the need to establish empirically possible effects that the DACF has on revenue mobilisation and expenditure patterns of the assemblies now and its implications for development in the future. The reasons labelled above point to the significance of the study.

[1] refers to Amansie East District Assembly

1.4 Research Questions

The following research questions are raised:

- To what extent has DACF affected revenue mobilisation in the district assemblies?
- What problems are associated with the DACF?

1.5 Objectives Of The Study

The main aim of the study is to examine the effects of the DACF on revenue mobilisation and expenditure patterns in the District Assemblies. Specifically, the objectives of the study are:

- To examine revenue mobilisation activities in the District Assemblies before and after the introduction of the DACF ie between 1989 - 1993 and 1994 – 1999.
- To examine empirically the assertion that DACF has affected IGF negatively
- To identify other problems associated with the introduction of the Fund and
- To offer suggestions to improve mobilisation and management of District Assembly finances in the light of current conditions.

1.6 Scope Of the Study

1.6.1 Thematic Scope

There is a lot of literature about financing district development in Ghana. Much has particularly been written about the DACF. However, the effects of the DACF on revenue mobilisation and expenditure patterns in the Assemblies have not been adequately researched. This is what the study seeks to research, with particular reference to the DACF on one hand, and the following sources of revenue at the district level on the other hand:

- Rates
- Licenses
- Fees and fines
- Lands revenue

- Rent on property
- Investment income and
- Miscellaneous income / revenue.

These are the assemblies' internally generated funds (IGF). They are understood as resources where the district assemblies can influence the revenue level, and are able to dispose of the revenue and freely give the highest level of autonomy.

1.6.2 Study Area

Two districts in Ashanti Region (Amansie East and Atwima) have been randomly selected for the study. In the selection process, names of all the districts in the region were written on pieces of paper and wrapped. They were put in a box and two were selected, one after the other without replacement. This method was adopted to ensure that all the 18 districts in the region have equal chance of being selected.

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1.7 Methodology:

1.7.1 Measurement of Indicators

Indicators to guide the research include revenue items, expenditure on personnel, transport, general expenditure, maintenance including repairs and renewals, and other recurrent expenditure as well as development or capital expenditure. Measurement of the indicators would be made with reference to the following:

Revenue: Actual revenue mobilised by the sample district assemblies between 1989 – 1999 is measured in absolute terms and / or percentages. The percentage share of each revenue item to total local revenue is measured to show the contribution of each item over the period. For expenditure, measurement is also based on actual expenditure made in respect of the indicators. In this case, the percentage share of each expenditure item to total budgetary allocation is measured. This is also made on yearly basis to show the trend over the period under review.

1.7.2 Sources of Data

According to Kessey and Kroes (1996; 123), several doubts have been raised on the reliability of financial data from local governments in developing countries. To check

reliability of data for this study, therefore, data were collected from several sources including the following

- Primary Data

Primary data collection was done through semi-structured questionnaire issued to the following actors at the district level:

-Co-ordinating Directors

-District Finance Officers

-Local Government Inspectors

-District Planning / Budget Officers.

Personal interviews of revenue collectors were also made. Direct observation was, at some instance, used as a means to check the possibility of incorrect primary data.

- **Secondary Data**

This was basically from sources such as trial balance and Medium Term Development Plans of the selected districts, Common Fund Secretariat and the Ashanti Regional Co-ordinating Council. Some secondary data were also collected from relevant literature.

1.7.3 Sampling

Selection of respondents was based on stratified sampling method. From each selected District Assembly, respondents were randomly selected from a target population of revenue collectors and management staff. A simple random sampling technique was applied to select 30 (49.2 percent) local policy makers for interviewing. The results of the sampling are indicated in Table 1.1.

Table 1.1 Respondents Sample Frame

Type of Respondent	Target Population	Percentage of Population	Number of Respondents	Percentage of Respondents
Management Staff	**21**	**34.4**	**10**	**33**
Revenue collectors	**40**	**65.5**	**20**	**67**
TOTAL	**61**	**100**	**30**	**100**

Source: Author's Construct

Table 1.2: Respondents' Sample Frame On District Basis

TARGET POPULATION	AMANSIE EAST DISTRICT				ATWIMA DISTRICT			
	Population	**%**	Respondent	%	**Population**	**%**	Respondent	%
Management staff	9	30	4	28.6	12	38.7	6	37.5
Revenue collectors	21	70	10	71.4	19	61.3	10	62.5
Total	**30**	**100**	**14**	**100**	**31**	**100**	**16**	**100**

Source: Author's construct

The type of respondents indicated in Table 1.1 was considered for the study because in practical terms, management staff are the major policy makers while revenue collectors are the sole implementers of revenue byelaws in the district assemblies. The breakdown of the respondents are indicated in Table 1.2

1.7.4 Statistical Analysis

Data collected on revenue and expenditure were summarised and analysed using simple statistics such as averages, percentages, frequency distribution, and rates of change and time series. The results of the analysis are presented effectively in tables, charts and graphs. The relationship between DACF and IGF was established by calculating the correlation coefficient and coefficient of determination. Hypothesis was also tested to establish the validity of the said relationship.

1.8 Limitations of the Study

The sole limitation in relation to the study is the selection of only two districts as a representation of all districts in the country. A lot more districts could be included, but for lack of time and resources. In spite of this limitation, the study would respond to the objectives of the research

1.9 Organisation Of The Report

The report is structured into five chapters. This general introduction constitutes Chapter One. It gives a background information to the study. Chapter Two looks at the concept of decentralisation as it is applied in the current policy. It also considers

the policy objectives, the structures established and the functions assigned to the structures at the various levels. Financial arrangements made to operationalize the policy are also highlighted with emphasis on major revenue sources and stages of revenue mobilisation in the district assemblies. Chapter Three gives an overview of the development of local government in Ghana from 1951 to 1988.The object of this chapter is to examine the changes that were made in the levels and structures of local government units and their implications for financing local government in Ghana.

Chapter Four discusses the Assemblies' performance in revenue mobilisation vis-à-vis the DACF. The general trend of both revenue sources would be considered. Changes in local revenue generation before and after introduction of DACF would be analysed. It is at this point that the effect the DACF has on the local revenue generation is established. Critical examination of revenue sources are made to identify the Assemblies' strengths and weaknesses in revenue mobilisation. The chapter also looks at expenditure patterns of the District Assemblies with particular reference to capital and recurrent expenditure as maintained by the Assemblies. Problems caused by the delay in releasing the DACF to the Assemblies are highlighted.

Chapter Five provides summary of the major findings, recommendations and conclusion of the study.

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CHAPTER TWO

CONCEPT AND OVERVIEW OF CURRENT DECENTRALISATION POLICY IN GHANA

2.1 Introduction

Concepts hardly have universal definitions, because their meanings might change in different contexts. Kessey (1995;22). There is the need therefore to consider certain contexts to reflect the exact meanings of concepts as used in this study. This chapter looks at the key concepts including the concept of decentralisation as it is applied in Ghana to day. It also looks at those components that would ensure the success of the decentralisation i.e the substance of the policy, structures, planning functions and the financial arrangements put in place. Emphasis is however placed on the financial arrangements to throw more light on the extent at which district assemblies are endowed to adequately perform.

2.2 Concept of Decentralisation

Decentralisation refers to:

Any deliberate change in the organisation of government involving the transfer of power, resources and functions from the centre to units of government and administration at sub-national levels (Akuoku Frimpong in Spring Series No.10; 2) also Ahwoi (1991; 44)

Abrampa (1999) makes the difference between functional and territorial decentralisation. According to him, functional decentralisation refers to the transfer of authority and responsibility from government to the private sector or non-governmental organisations (NGOs). He explains that territorial decentralisation, on the other hand, refers to transfer of authority and responsibility to a regionally defined local authority. Abrampa hence regards the current decentralisation policy as a marriage of both functional and territorial. Accordingly, he reiterates that the Ghanaian current decentralisation experience is a transfer of power, authority and resources to a local government or administration and diversification of business focus activities and viable public services to the private sector and NGOs.

resources to a local government or administration and diversification of business focus activities and viable public services to the private sector and NGOs.

Ahwoi (in Spring Series No. 10 page 88) asserts that the current decentralisation policy of Ghana requires the establishment of efficient political, planning and administrative institutions at the local level. These institutions should enjoy the popular support of the people and be capable of effectively utilising the local resources.

2.2.1 Centre - Local Financial Relationship

Government structures of one or more tiers of sub-central authorities have been established in virtually all countries throughout the world. These sub-central governments have some relationship with their central governments. The central government's rationale in such relationships is to ensure uniformity in development in the various structures of the sub-centres.

The central - local financial relationship in particular is seen through a variety of measures including transfer of grants from the centre to the local government units. King (1994,121) maintains that grants are designed to encourage sub-central authorities to take accounts of the external effects of taxes. He adds that revenue sharing grants are designed to correct fiscal imbalances between the various tiers of governments.

The centre - local relationship is also manifest in the local fiscal resources (LFR) which is explained by Kessey (1995,22) as all tangible and intangible items which directly or indirectly produce capital for financing local activities. LFR take various forms including fiscal information resources, manpower and material resources, and financial resources. Fiscal information resources, according to Kessey have two branches namely legal financial provision and accounting data. The former, which is mainly provided by the central government, gives legitimacy to financial mobilisation while the latter provides records on financial operations. The legal financial provisions are enshrined in acts of parliament and local byelaws. They define the tax base and financial operations, and also form the basis on which revenue structures are

developed. Hence a weak legal financial provision tends to weaken the extent of revenue mobilisation at the local level. Kessey (1995,24) again maintains that several public incomes are not received automatically unless they are mobilised. This assertion makes manpower and material resource important in the legal financial resources system. The material and manpower resources are required for effective revenue administration. The effectiveness of labour (manpower) depends on numerical accuracy and skills. A tax system for example cannot function properly if its administrators are untrained and are too few for the task at hand. This is another source where the centre -local financial relationship is envisaged. Especially in the developing world, central governments employ and train personnel for specific assignment in local government units.

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Financial resources cover all the components of total government income. The major ones are loans, grants, revenues and receivables from tax sharing. Like King, Kessey defines grants as transfers from central governments to local authorities. He differentiates between specific and flexible grants, and general grants. For specific grants, central government gives detailed specification on the use of the fund. Kessey (1995,26) coins the term flexible grants to mean a particular usage of the grants within a general framework. Details of this type of grants are left to the discretion of the recipient. Grants are said to be general when they are used to support general expenditure. The transfer of any type of grant from central to local government units is dictated by the type of relationship that the centre wants to maintain with the local government.

2.3 Policy Objectives Of Current Decentralisation In Ghana

Ayee (1996) has pointed out that decentralisation has preoccupied successive governments in Ghana since independence. The PNDCL 207 of 1988 however set the pace for the current local government system. Policy objectives of the current process of decentralisation were shaped and consolidated by the 1992 Republican Constitution of Ghana and the Local Government Act 1993 (Act 462).

The major objectives of the decentralisation policy, inter alia, are

- To create an institutional framework to facilitate the mobilisation of revenue for national development. This is to allow local people to make decisions that would be convenient for their development and hence be willing to meet their tax obligations to foster the development required;
- To permit flexibility in decision making and to promote participation and commitment from the local people. The objective is to make it possible to tap the skills and potentials of the local people;
- To provide a system of government, which enables people, to participate in matters affecting them and to provide for such needs through properly elected assemblies in the districts. By this objective, people at the grassroots become committed to whatever decisions they take and hence help in implementation;
- To promote economic and managerial efficiency by allowing government at national and sub-national levels to operate with a view to achieving development goals in a more cost effective manner. The rationale is to enable local people to be integrated into the new planning system so that they become partners of the development process; and
- To introduce an effective system of fiscal decentralisation which gives the District Assemblies control over a substantial portion of their revenues. This objective seeks to foster interest on the part of the local people and enhances transparency in the development process.

The policy therefore requires the transfer of power, means, functions and competence in some programme implementation areas from the central government to the local level institutions. The success of the policy also depends on the type of structures established at the various levels of the decentralised system.

2.4 Structures For Decentralisation In Ghana

Three main tiers of development administration are set to effect the operationalization of the current decentralisation process. These are the national, regional and local (district) tiers. The national tier has the following as components: the cabinet, NDPC, civil service sector ministries and parliament. With NDPC at the apex of planning, this tier develops policy guidelines and formulates long term perspectives for policy administration.

The regional tier has the Regional Co-ordinating Council (RCC) as the component. The RCC is constituted by representatives from the districts and the region. There are ten (10) RCCs; one in each region to co-ordinate and harmonise the policies and development activities of the districts.

The local / district tier has the district assembly as the unit of local government. Included in this tier are the area councils and unit committees as sub structures. There are a hundred and ten (110) district assemblies; each has two-thirds (2/3) elected members and one-third (1/3) appointed members from identified interest groups. The district assembly is technically supported by the decentralised departments[1] and other government departments in the district. Acts of parliament and laws specified the establishment of these institutions. The acts spelt out the responsibilities of the institutions and their relationship. Abrampa (1996) has observed that Act 480 created a sharper relationship between the district assembly and the NDPC

2.5 Planning Functions

The roles and planning functions of the established structures are defined and regulated in the following laws and enactment:

- The 1992 Constitution of Ghana
- Local Government Act 1993 (Act 462)
- The Civil Service Law 1993 (PNDCL 327)
- National Development Planning Commission Act 1994 (Act 479)
- National Development Planning (Systems) Act 1994 (Act 480)

2.5.1 National Level Agencies

Section 1 (1) and (4) of Act 480 make the NDPC the national co-ordinating body of the decentralised development and planning system. Its role is to regulate the system through legislative instruments and planning guidelines. It further provides time frame and procedures for the submission of development plans to the commission. The NDPC also approves the plans of the Districts.

[1] Eleven (11) decentralised departments for District Assemblies, 13 for Municipal and 16 for Metropolitan Assemblies

The roles of the ministries and sector agencies at the national level as defined in Act 480 include preparation and monitoring the implementation of development plans as directed by the NDPC. Parliament deliberates on policies and issues that affect the development of the country as a whole while cabinet advises the president on such issues and policies.

The Ministry of Local Government and Rural Development (MLGRD) plays a lead role in the decentralisation process. The MLGRD serves as a link between the centre and the regional, district and sub-district levels. Its functions are to:

- Monitor the decentralisation process;
- Advise government on local government issues;
- Promote and administer local government training institutions.

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2.5.2 Regional Co-ordinating Council (RCC)

The RCC is composed of the regional minister, regional heads of departments, the DCEs and presiding members from the districts in the particular region and two chiefs from the Regional House of Chiefs (Act 462 Section 14).

The role of the RCC is that of co-ordination and monitoring. Under Act 480, the RCC is to co-ordinate the plans and programmes of the district assemblies in the region and harmonise these plans with the national development policies and priorities.(Section 8 1(b) of Act 480). In addition, the RCC acts on behalf of the NDPC with respect to national programmes and projects in the region.

2.5.3 The District Assembly

Political decentralisation finds expression in the establishment of the District Assemblies as the highest political bodies in the districts. Ahwoi (1991:45) hence the District Assembly is the basic unit of local government. Act 480 designates this basic unit of local government as the planning unit / authority. As such, wide ranging developmental responsibilities have been conferred on it under existing laws and regulations.

Under Section 10 of the Local Government Act 1993 (Act 462) the Assembly exercises deliberative, legislative and executive functions in the district. Specifically, the Assembly's functions include

- Formulating and executing plans, programmes and strategies for effective mobilisation of the resources in the district;
- Promoting and supporting productive activities and social development in the district;
- Initiating programmes for the development of basic infrastructure;
- Promoting peace and justice by ensuring easy access to courts;
- Developing and managing human settlements and the environment;
- Co-ordinating, integrating and harmonising the execution of programmes and projects under approved development plans for the districts and other development programmes promoted or carried out by ministries, departments, public corporations and other statutory bodies and non governmental organisations (NGOs) in the districts.

To be able to perform these functions effectively, the Assemblies are given an additional role of mobilising and utilising human, physical and financial resources.

2.6 Financial Arrangements

Government's commitment to decentralisation is demonstrated in its financial support. By 1989, barely a year after the take-off of the decentralisation process, the MLGRD had spent over ¢800 million. In the same year, the national revenue secretariat collected ¢180 million on behalf of the district assemblies and according to Ahwoi (1991:51) the Internal Revenue Service collected about ¢271.3 million and shared to the District Assemblies on the basis of equality, population and development statue of the districts. Ayee (1996;19) reports that government at the formative years of the decentralisation policy implementation, committed ¢6.0 billion towards the success of the decentralisation process. He again notes that the World Bank also committed ¢7.5 million to help the MLGRD towards fiscal decentralisation. The World Bank's financial support, according to him, is demonstrated in the various urban development programmes. In a project named

Urban 1, for instance, the bank funded the strengthening and management of revenue mobilisation capacities of Accra Metropolitan Assembly.

Boachie-Danquah (1996; 2) asserts that the ability of the District Assemblies to achieve their development objectives and hence the sustainability of decentralisation in Ghana is contingent, inter alia, on the amount of financial resources they can mobilise. In this respect, government has under PNDCL 207 and later Act 462 made the Assemblies the rating authorities and a wide range of revenue sources provided in the Sixth Schedule.

Sections 33, 34, 85, 88 and 95 of Act 462 indicate some of these sources.

Generally, four main types of revenue sources for the assemblies have been provided as follows:

1 Locally Generated Revenue are derived from the following sources:

Basic rates

Property rates

Special rates

Licences

Fees and fines

Trading services / investment income

Specialised funds such as stool land royalties, timber royalties and mineral development fund

2 Ceded revenue is derived from sources which were collected by the central government through the Internal Revenue Service (IRS) but which central government has *ceded* to the districts in pursuit of decentralisation. The IRS centrally collects the ceded revenue and the total ceded revenue collected for the year is transferred to the MLGRD, which shares it among the Assemblies, using a formula approved by cabinet. The ceded revenue sources, which are listed in the Sixth Schedule of Act 462 are :

Entertainment duty

Casino revenue

Betting tax

Advertisement tax

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Income tax (registration of trade, business, profession or vocation) Law, 1986 (PNDCL 156) and

Income tax payable by specified categories of self-employed persons in the informal sector.

3 District Assemblies Common Fund (DACF)

Article 252 of the 1992 Constitution establishes the DACF and provides that parliament allocates not less than 5% of total Ghana government revenues to the 110 districts on a quarterly basis for development projects in the districts. The fund is shared among the districts on the basis of the following factors:

(a) The need factor seeks to address the imbalances in the level of development among the districts

(b) The service pressure factor seeks to assist in improving existing facilities which as a result of population pressure deteriorate faster than envisage;

(c) The equalising factor seeks to ensure that a minimum level of funding is made available for each district; and

(d) The responsive factor seeks to motivate the district assemblies to improve upon their revenue mobilisation effort. Central government also uses this factor to set standards of efficiency in revenue mobilisation at the district level.

The percentage share of each of the factors in the formula for sharing the fund used in 1994 is as follows:

Need factor	35 percent
Equality factor	30 percent
Responsiveness	20 percent
Service pressure	15 percent

Ten percent of the total DACF allocation is set aside as Reserved Fund (formerly called contingency). One-half of this fund is allocated to the 200 members of parliament for the development of their constituencies. The Assemblies are obliged to use the allocations from the DACF solely for development projects and rely on locally generated and ceded revenues to meet their recurrent cost.

4 Others

Other revenue sources available to the Assemblies include financial assistance from NGOs, churches and civil and benevolent organisations. Most of such revenues come

in the form of counterpart funding where central government, district assemblies or the local community pays a fraction of the total cost of the projects.

The distinction among these revenue sources is important because it demands the degree to which local governments draw on the resources mobilised at the local level. Bahl and Linn (1992;) presume that the local authorities have more discretion in managing their local sources of finance than is the case of external revenue. Kessey (1992; 2) also argues that this approach affords a thorough understanding of the nature of district assemblies financial resource base for effective budgeting and decision making.

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2.6.1 Revenue Mobilisation at the local level

Five main stages of local revenue mobilisation could be identified as follows:

1 Preparation of rate inputs
2 Making / approval of bye-laws
3 Public education
4 Employment of revenue collectors and
5 Actual revenue collection

The personnel involved the activities and the requirements at each stage of the revenue mobilisation process are indicated in Table 2.5.1. The stages of revenue mobilisation listed above are the steps followed by the district assemblies in their revenue mobilisation process. In practice however, there may be slight modification among different districts countrywide.

2.7 Conclusion

Revenue mobilisation at the local level involves a wide range of people. Table 2.1 indicates that revenue mobilisation at the local level involves many people including budget officers, local government inspectors, revenue superintendents, district co-ordinating directors, revenue collectors, assembly members and other stakeholders such as market women, transport owners and traditional authorities.

Table 2.1: Stages of Local Revenue Mobilisation

Stage	Description	Activity	Responsibility	Requirement
1	Preparation of rate inputs	List existing rate items Identify new areas Discuss rate charges	Budget Officer with LGI / RS / Stakeholders	Personal involvement
2	Making or approval of bye-laws	Approval of rates/charges	F & A Sub Com Ex Com and the Gen. Assembly	Personal involvement
3	Public education	Sensitisation of the public to pay rates/taxes and to inform others on new development	Revenue Mobilisation Unit	Vehicle and public address system (PAS)
4	Employment of revenue collectors	Zoning the district into revenue area; Employ/Recruit revenue collectors for each area.	District co-ordinating Director and LGI	Personal involvement
5	Revenue collection	House-to-house rate collection; Collection of rates at public places eg markets and lorry parks	Revenue collectors	Value books and other stationery

Source: Author's ConstructNB: LGI means Local Government Inspector; RS means Revenue Superintendent

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CHAPTER THREE

EVOLUTION OF LOCAL GOVERNMENT IN GHANA

3.1 Introduction:

Ghana has had different types of local government administration. This chapter examines the various local governments of past governments in the form of review with emphasis on the finances at each stage. The implications of the modifications of the levels and structure of local government units and their implications for financing local government are brought to light.

3.2 The Local Government Ordinance Of 1951

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This was the first local government ordinance of Ghana [then the Gold Coast]. Under this ordinance and the Municipal Ordinance of 1953, four municipal councils, 26 district councils and 262 local and urban councils were established in the country. Under the ordinance, local / urban councils were set up for the provision of local services such as markets and primary schools. The unit of local government – the district councils – were to undertake development projects and provide major services including the maintenance of law and order [Manu 1998; 27]

For the district councils to function effectively, the colonial government was committed to providing £700,000 annually to the units of local government to boost their financial base The district councils were demarcated on the basis of population size and viability. By viability, Appiah *et al* (1998; 2) mean potential ability of the demarcated areas to generate local level revenues to support the local government units. Bandie (1998; 26) reports that many of the local government units lacked resources and hence could not function effectively. Boateng (1977) adds that they could not mobilise local level revenue but merely depended on central government grants. According to Andoh [1967], their sole dependence on central government grant explains their inability to function effectively and efficiently. He explains that most councils after paying their staff salaries / wages from central government grants had virtually nothing left for the provision of services for which they were established. The achievement of most local government units was limited to nothing more than paying staff emoluments. During this time, the only viable local revenue source was taxation. Local authorities however could not institute local tax because

the fierce resistance, by the local people, of the poll tax ordinance of 1944 was still in their minds. This deepened the local authorities' reliance on grants from the central government.

3.3 Local Government under Nkrumah (1957 – 1966)

The Greenwood Commission was appointed to study the system of local government introduced in the country by the 1951 Ordinance. The Commission was to enquire and report on the structure and finance of local government units with a view to reducing the number of units and strengthening local financial administration. The Commission accordingly recommended the amalgamation of weak and uneconomic local and urban councils. The financial crisis as a result of the decline in world cocoa prices* seriously restricted the CPP government's capacity to finance local government units. Grants paid to local councils were successively reduced weakening the ability of the local councils to meet their commitment in respect of providing essential services. Block grants reimbursed for certain salaries diminished from ¢1,905,488 in 1959/60 to ¢1,077,500 by 1966; development grants similarly declined from ¢2.4 million to only ¢400,000 annually between 1964 and 1966. The trend of central government grants to local government units between 1960/61 and 1966 is indicated in Table 3.1

TABLE 3.1: Central Government Grants to Local and Urban Councils in Ghana (1960 – 66)

YEAR	BLOCK GRANT	DEVELOPMENT GRANT
1960/61	¢19,712,600	¢2,400,000
1961/62	¢1,661,200	¢1,350,000
1963/64	¢1,350,000	¢400,000
1965	¢1,281,486	¢400,000
1966	¢1,077,500	¢400,000

Source: Ghana (1968 a), Report of the Commission on Electoral and Local Government Reforms, Part III, pp7 – 8 . Ghana Publishing Corporation, Accra

* Revenue from the cocoa export duty went down from ¢30.6 million in 1960/61 to ¢19.7 million in 1965 (Killick 1978; 164)

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The accelerated education programme of 1961 accentuated the decreased grant-in-aid to local government units during this time. Unfortunately, many of the councils were poor in taxable resources to generate local revenue to support the grant-in-aid. The limited financial capacity of the district councils were further constricted by excessive control by the central government. Particularly after 1962, the implementation of local council programmes was retarded by the piecemeal release of development funds, which often conflicted with local needs. For instance decisions made by Ministry of Finance in Accra in respect of financing development projects failed to consider local needs. Thus local government by 1966 was gradually becoming non-existent as a result of increasing inefficiency of representative local government. Local authorities became aware of the problems created by the dwindling financial transfers from the central government to the units of local government. However, the local authorities had become used to depending on central government for funs. Attempts at mobilising local revenue became futile.

3.4 Local Government Under The NLC (1966 – 69)

This period saw the regime of a military rule. After taking power in 1966, the military government constituted the Mills-Odoi Commission and the Siriboe Commission and charged them with the task of enquiring and making proposals for the establishment of organs of government at the local and regional levels, capable of meeting the challenges of development in their respective areas.

The changes proposed by the commissions in the structure of local government include:

- A four-tier structure consisting of regional councils, district councils, municipal/area/local councils and village committees at the regional, district, local and village levels respectively.
- The district councils were to be economically viable local government units capable of providing almost all government services like markets, primary and middle schools.

At the district level therefore, the NLC passed the Local Government Decree 1966 (NLCD 26) which amalgamated the former 161 administrative districts to give a new

total of 47, managed by management committees. The committees, according to Ayee (1996; 77), were over dependent on government subsidies and often failed to provide basic amenities such as public toilets, clinics and pipe borne water, out of the rates collected. In Ghana, people are averse to paying tax or rates. By this attitude of Ghanaians, local government units found it difficult to generate enough funds from rates and hence found it imperative to depend more on central government transfers to finance development plans at the local level.

Ayee reports that between 1966 and 1969 block grants to the management committees amounted to ¢ 3,123,152 while development grants totalled ¢1,175,000. In the 1968/69 budget, ¢2.6 million was made available to regional committees for projects, which were of local significance, and an immediate objective was to establish a viable reporting system on their physical projects. This was to control wide variation in local government expenditure in the various districts. However, such variations are expected because of the variation in local government responsibilities in different districts. Perhaps, central government did not perceive such variations in responsibilities and constituted a committee to oversee local government expenditure. In a New Year message to Ghanaians, General Ankrah, the then head of state, had this to say:

To ensure effective implementation of the development plans, government has set up a steering committee in the Ministry of Economic Affairs. The committee is charged with the responsibility of reporting quarterly on the progress of the plan, and to ensure the effective control and supervision of development projects

Source: Ziorklui (1988; 112-125), Ghana: Nkrumah to Rawlings.

It is needless to say that the councils' autonomy in the use of the fund was restricted. The full impact of local government during this period was never felt as the NLC government handed over the unimplemented proposals of the commissions of enquiry to a civilian government in a period of three years.

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3.5 Local Government under Busia (1969 – 1972)

Local government during this period gained roots with the presidential accent of the 1969 constitution. Chapter 16 of the 1969 constitution detailed the principles and processes of decentralisation during the period. These were legitimised by the Local Administration Act 1971 (Act359). The underlying objective of local government of the Busia regime was to provide for a decentralisation of authority that would allow Ghanaians through district councils to have substantive control over the development activities in their own districts. Busia could not implement the development policies without severe modifications of its aims and objectives. Hence the Mills-Odoi scheme on which the principle of local government originated could not be accepted in its entirety to be implemented to its logical conclusion (Ayee 1996; 89)

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The structure of local government was subsequently modified as follows:

- A reduction in the levels of government from four to three ie regional, district and local levels;
- An increase in the number of local government units (district councils) from 47 to 68. These were designed to ensure effective administration and development of public services in their respective areas.

The then Prime- Minister, Dr. K.A Busia in an inaugural address proclaimed the establishment of an Equalisation Grant which was to extend financial assistance to local government authorities. Such was a means to promote effectiveness of local government bodies.

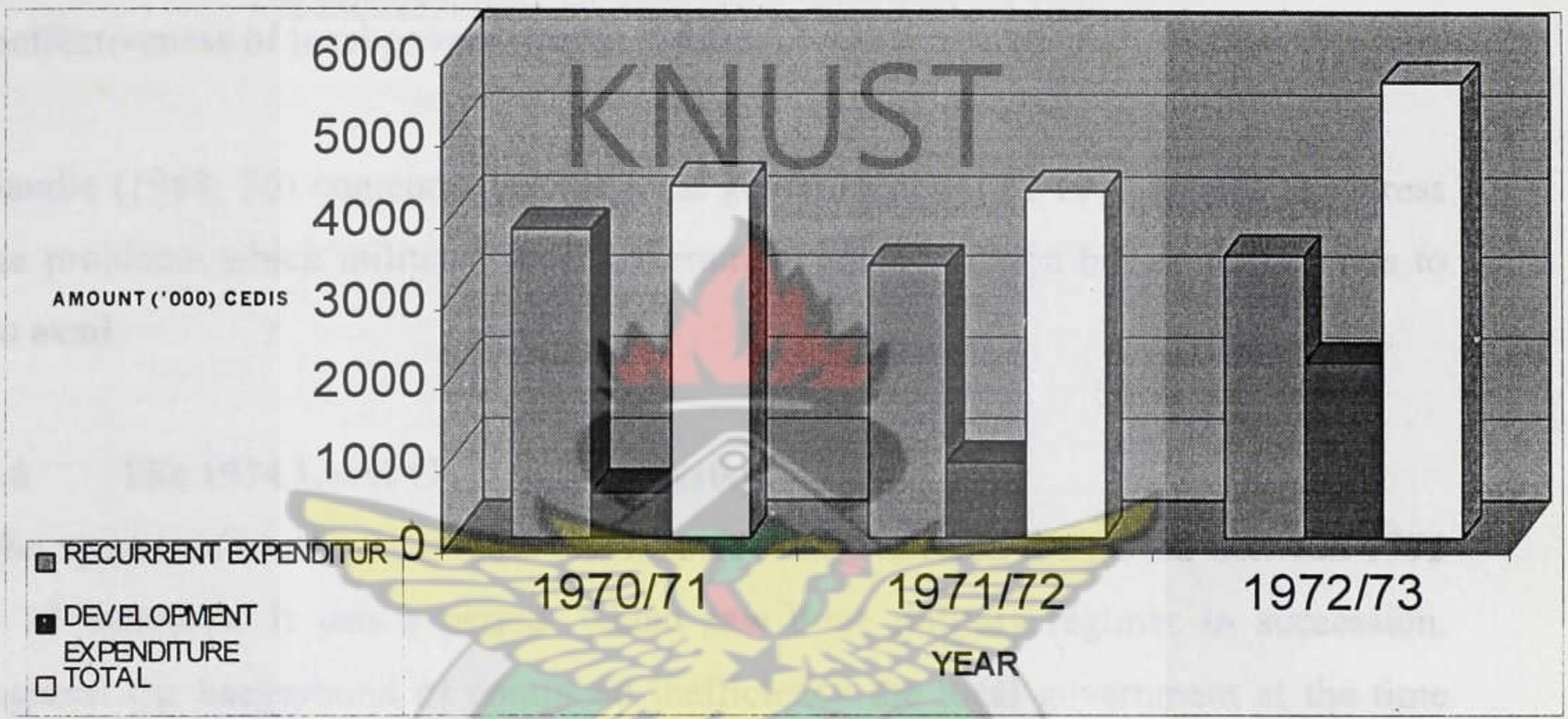
Nevertheless expenditure in respect of local government was minimal, for example in 1971/72, only 7.7 percent of government budget was spent on development projects in the localities in Ghana as indicated by Warrant and Blunt (1984; 38 and 39). Most district councils were unable to raise adequate revenue to support any meaningful development programmes at the district levels. The provision of local amenities (pipe borne water, roads etc) by the councils was poor. Consequently, local inhabitants became dissatisfied and even more reluctant to pay the rates and fees imposed by the district councils. It must be noted that government was under no illusion about the situation it had inherited – indebtedness. At a progress party rally in Accra, Busia had this to say:

> *.....you have had the CPP with plenty of money; you know that we did not come to find money, we came to find big debt to pay.*

Source: Zorklui (1988; 138)

Despite the country's indebtedness, Ministry of local government development expenditure increased between 1970 and 1973; the recurrent expenditure fluctuated though. Ministry of local government expenditure for the period is shown in Table 3.1.

Table 3.1: Ministry of Local Government Expenditure 1970-73



Source: Author's Construct; data base: Ghana, Annual Financial Statistics (1970 – 75)

From the graph, the years 1970 to 1973 portray a reasonably stable picture as far as recurrent expenditures of the Ministry are concerned with expenditure in the vicinity of ¢3.0 million. The explanation of this situation was that wages and salaries of local government staff were met by central government; hitherto only salaries of the treasurers and clerks of the councils were paid from the finances of the central government, all others were met by locally raised revenues. This modification brought about administrative efficiency and a consequent increase in revenues of the councils that could be devoted to development. This turned to be the major strength of the district councils. It is evident from Figure 3.2 that there was an increase of development expenditure over the period. Such development was a sign of success for

the Progress Party government's drive towards local government administration. However, not all the districts had their share of the fund.

According to Ayee (1996; 86), allocation of funds to the districts was to take place through the regional councils subject to the authorisation of the Local Government Grants Commission; the commission was never established. Central government thus created circumstances of gaining political dominance over potential or existing areas of opposition especially in allocation of funds to local government units. This unacceptable practice which discriminated against some districts culminated into ineffectiveness of local government at the time.

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Bandie (1988; 36) contends that the local government act of 1971 sought to redress the problems which militated local government administration but its impact was to no avail.

3.6 The 1974 Local Government System

The system of local government under review here covered the period between 1972 – 79 inclusive. It was a period, which saw three military regimes in succession. Against the background of continued inefficiency the local government at the time evolve by the Local (Amendment) decree 1974 (NRCD 258) which amended the 1971 Act (Act 359). The principal objective was to take the decision making function of local significance closer to the areas where the decisions were implemented. This was based on the principle of administrative decentralisation and efficiency.

NRCD 258 brought changes in the levels of government and number of local government units. Levels of government increased to four while local government units were reduce to sixty-five by 1974. The sixty five local units - the district councils- were created to coincide with existing administrative boundaries. Their major responsibilities like other district councils of past governments were the provision and maintenance of public works, socio-economic infrastructure, preparation of layout of towns/villages and public transport system. The district councils did not have separate identity from central government institutions operating

at the district level; both were fused together through a process of institution integration and manpower absorption. MOLG (1974) makes it clear that the integration necessitated central government to assume payment and wages of all council staff and employees' social security contribution.

This period of local government inherited a legacy of administrative efficiency and increased revenue of the councils left by the immediate past government. This legacy continued for the next few years as indicated by the local government expenditure between 1971 and 1975.

Figure 3.3: Local Government Expenditure 1971 – 1975

Source: Author's Construct; data base: Ghana, Annual Financial Statistics (1970 – 1977)

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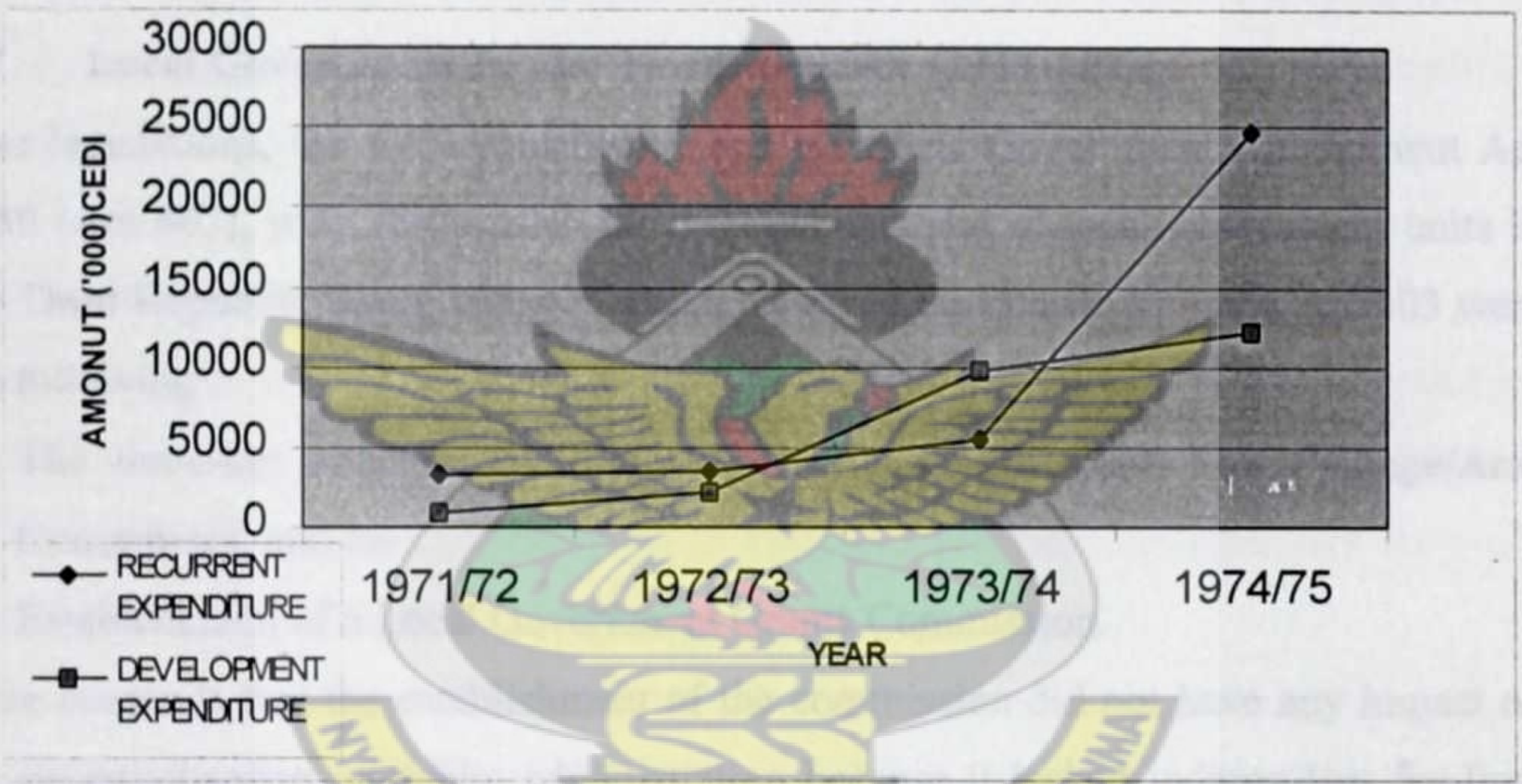

A cursory look at Figure 3.3 shows a reasonably stable picture of recurrent expenditure of the ministry during the first three years. The abrupt increase by 1975 occurred as a result of higher expenditures on the omnibus service authority (Ayee1996;95). The increased efficiency in revenue collection, salary payments from the consolidated fund and the district councils' entry into commercial activities explain the increasing development expenditure as shown in the graph. Ayee again explains that the increased financial base of the councils was also the outcome of their ability to undertake commercial ventures such as commercial farming, commercial transport services and small scale agro-based industries.

District councils depended so much on locally generated revenue, yet grant-in-aid was indispensable to them. In 1978/79 and 1979/80, three regions alone received ¢69.9million and ¢84.8million respectively from the central government. The beneficiary regions were Ashanti, Central and Greater Accra Regions. In 1978 there was a change in head of government administration on account of worsening economic situation of the country. The change over did not however bring improvements into the local government system. District councils had to depend mostly on central government grants. It is for this reason that Bandie (1998; 40) claims that the major weakness of the councils was their total dependence on central government for the remuneration of their staff; hence their inability to generate enough revenue for even their marginal operations.

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3.7 Local Government In The Third Republic (1979 – 81)

Two legislations, the 1979 constitution and the Local Government Amendment Act 1980 (Act 403), were responsible for the establishment of local government units in the Third Republic. Major changes which followed the constitution and Act 403 were the following

- The three-tier structure of Regional, District councils and Town/Village/Area Committees, and the
- Establishment of a Local Government Grants Commission.

Ayee contends that the establishment of the commission did not have any impact on the decentralisation of public administration because it lacked independent funding. He notes that the commission functioned just as a clearinghouse for request for central departmental finances on behalf of specific district council projects. It was this lack of finance and the pressure of district demands that prohibited the development of an acceptable revenue sharing formula until August 1981. At this time, the method was based on population and the total area covered by the district. Despite government inability to adequately finance the existing 65 district councils, the PNP government decided to create additional 40 district councils, bringing the total number to 105. Government decision in this direction became necessary as local demands for district status became an important bargaining point between the government and local elites. The district councils were created but the means for them to perform was inadequate.

The little funds available to them started declining as central government attention for them waned. Unfortunately, they could not generate enough to supplement government effort. The decline of the financial position by 50 percent could be judged from the appeal by the chairman of the Local Government Grant Commission, J.K Nsarkoh for a remedy to the falling level of rate receipts (Ghanaian Times, 1981). In this paper, the district councils needed a resuscitation of district commercial activities to ease the burden on grants-in-aid. However, before the district councils could think of better local revenue mobilisation strategies, the PNP government had been toppled in a military coup by the PNDC on December 31, 1981.

3.8 Local Government under the PNDC (1981 – 1988)

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The PNDC assumed power on December 31, 1981 through a coup d'etat against the background of mounting economic decline. In order to arrest this decline, the PNDC launched an IMF – World Bank supported ERP in1983.

The first phase of the program (1983 – 1986) was the stabilisation phase. This phase was to halt the decline especially in the industrial and export commodity production sector. The second phase ERP II was the structural adjustment and development phase (1987– 89). This placed emphasis on growth and development especially on social services.

The first act of the PNDC on local government was the PNDCL 10 of 1982, which dissolved the elected local councils and replaced them with management committees. Policy objectives during this period include popular participation, efficiency, responsiveness and issues of development. The PNDC adopted the three tier structure consisting of the RCC, the district assemblies (as the basic unit of local government) and town/area/unit committees. The number of local government units was increased from 65 to 110 to ensure grassroots participation in the decision making process. Then under the 1988 Law, the district assembly was made the rating authority and a list of its revenue sources is provided in the Sixth Schedule. The sources include entertainment duty, casino revenue, betting and gambling tax as well as rates and levy, fees and licences. The first six sources mentioned above were collected by both

the central government and the district assemblies and shared between the two levels of government equally. The share of the district assemblies is referred to as ceded revenue – an innovation of the PNDC. Ceded revenue added millions of cedis to the total revenue of the assemblies as from 1988. Between 1988 and 1992,over ¢3.2 billion was transferred to the district assemblies as ceded revenue. The breakdown of the total ceded revenue shared among the one hundred and ten districts in the country is presented in Table 3.6

Table 3.3 Ceded Revenues Shared among DAs (1989 -1992)

YEAR	1989	1990	1991	1992
AMOUNT	¢271.3 m	¢303 m	¢549 m	¢2.1 b

Source: Ayee (1996; 55)

Hence, the current system of local government is a continuation of the PNDC version of the of the local government system. This is because the ceded revenue continues to be shared among the districts.

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CHAPTER FOUR

REVENUE PERFORMANCE AND EXPENDITURE PATTERNS OF THE DISTRICT ASSEMBLIES

4.1 Introduction

This chapter examines the general trend of revenue mobilised and expenditure made by the District Assemblies vis-à-vis the DACF. It establishes empirically the effects the fund has on local revenue mobilised by the District Assemblies. The chapter also examines the trend of the various revenue and expenditure items to show which items are positively or negatively affected by the DACF.

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4.2 Revenue Performance Of The District Assemblies

4.2.1 General Trend

Controller and Accountant General (1997; 17) maintains that revenue generation has been the major problem to all District Assemblies in the country and continues to pose more problems. Like many others, he attributes the problem to the introduction of the DACF.

The Accountant General and his allies are however not creating impression that no revenue mobilisation had occurred at the local level in the past. Long before the DACF was introduced in 1994, the District Assemblies mobilised and continue to mobilise local revenue for example the total revenue mobilised by Amansie East and Atwima District Assemblies since 1989 and their DACF allocation since 1994 are presented in Table 4.1.

Reference to Table 4.1 shows general increases in the two revenue sources in both District Assemblies. The rate of increase however varies with cases of fluctuations in the case of Atwima district where in 1995 the trend of local revenue declined, rose thereafter and declined again in 1999. For quick visual impression of the trend of revenues of the selected districts – Amansie East and Atwima District Assemblies – the data contained in Table 4.1 have been illustrated graphically in Figure 4.1 (a) and (b).

The time series presentation of the DACF and revenues mobilised by the two districts show a general increase over the period. A closer look at Table 4.1 indicates that in Amansie East district, total local revenue of ¢17 million in 1989 increased by over 18 fold to ¢314.2 million in 1999. The picture is not different in Atwima district. In this district, a total of ¢32.6 million by over 11 fold to ¢366 million within the same period. Further, Figure 4.1 shows that in both districts, the extent of local revenue between 1989 and 1994 was very low.

However, after 1994 the trend of local revenue increased. The rise in local revenue from 1994 is attributable to increases in the DACF allocated to the district assemblies. Respondents of selected district assemblies maintain that the use of the DACF necessitated increases in revenue from sources such as licences and investment in viable economic activities. They claim that in a bid to get more from the DACF, their Assemblies explored new areas of investment and licensing; that is the Assemblies were motivated by the responsive factor of the DACF to widen their revenue base.

In both Amansie East and Atwima districts, new areas of investment include construction of more markets and renting the stalls and store to traders especially market women. In 1998, Atwima district obtained ¢3,157,300.00 from rent of market stores and stalls. The construction of markets was possible with the DACF. Another new area is the registration of building contractors and district weekly lotto operators. In 1998 alone, as much as ¢7,816,000.00 was obtained from licensing or registration of building contractors and district weekly lotto operators in Atwima district.

Another evidence from Figure 4.1 is that the DACF increases faster than the IGF. This fact is depicted by the gradient of the two curves. The steep gradient of the DACF is an indication that it increases faster than the IGF. Also the positions of the DACF and locally generated revenue curves indicate that in all instances, the former is higher than the latter. The implication of this is that, if for any reason government should withdraw the DACF, the District Assemblies would not be able to function effectively. This is because, the low level of IGF can only meet recurrent expenditure.

Another explanation for the general increase was centred on rate inputs. According to the budget officer at Nkawie (Atwima district capital) the wide range of revenue sources made available to the district assemblies through legislation became meaningful to them only after the DACF was introduced. He explained that assembly members agreed to increase rate inputs knowing very well that with increased revenue from local source, their share of the DACF could increase. Their expectation materialised when the district assemblies purchased revenue mobilisation vans to effectively mobilise local financial resources.

4.2.2 Gap between DACF and IGF

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Figure 4.1 reveals an interesting picture regarding the gap between DACF and IGF in the district assemblies; that is, the gap increases in some districts but decreases in other districts. Two scenarios are implied.

1. The decreasing gap implies that the district assemblies are performing better in their revenue mobilisation activities than is expected; and
2. The increasing gap implies that the district assemblies are relaxing in so far as their revenue mobilisation activities are concerned; that is, they are not performing up to expectation.

Clearly, Figure 4.1 shows that the gap between DACF and IGF is being closed up in Atwima district but it is widening in Amansie East. The reason for this phenomenon is that between 1996 and 1998, Atwima district performed relatively better than Amansie East in revenue mobilisation activities. This is particularly true especially with the collection of fees and fines. The contributions of this revenue source to total IGF in Atwima district were 15.7 percent, 18.7 percent and 38.6 percent in 1996, 1997 and 1998 respectively as against 12 percent, 14 percent, and five percent in Amansie East during the same period.

Hence, with the increasing DACF owing to factors such as service pressure from the growing population in the districts, the gap between DACF and IGF is bound to increase in Amansie East and close up in Atwima district.

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4.3 District Assemblies Common Fund (DACF)

The DACF became operational in 1994 following the enactment of the DACF Act (1993) Act 455. Disbursement of the fund from 1994 to 1999 for Amansie East and Atwima District Assemblies (shown in Table 4.1 and Figure 4.1) confirm general increases of DACF allocations to the District Assemblies. Yet in the light of this general increase, 60% of respondents of the questionnaire claim that the DACF allocation to the District Assemblies is grossly inadequate, considering the increasing demand from the communities.

Additionally, respondents claimed that the use of the fund is controlled by central government through directives. For instance, 5 percent of the DACF is to be allocated for housing improvement, 10 percent for Youth in Agriculture Programme, 20 percent for poverty alleviation and currently 3 percent is to be deducted at source from each district assembly's share of the fund to finance the building of a new secretariat complex for NALAG. These deductions sum up to a total of 38 percent of the fund allocated to each district per year.

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TABLE 4.1 DACF AND TOTAL REVENUE MOBILISED BY AMANSIE EAST AND ATWIMA DISTRICTS

DISTRICT	REVENUE	YEAR										
		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
AMANSIE EAST	DACF (¢ million)	-	-	-	-	-	285.5	412.5	734.5	989.6	1131.9	1500
	LOCAL (¢ million)	17	23.7	22.9	22.7	56.4	80.4	136	226.4	238.9	240.9	314.2
ATWIMA	DACF (¢ million)	-	-	-	-	-	374.9	471.5	780.4	874.3	1103.4	1260
	LOCAL (¢ million)	32.6	34.1	33.3	14.3	74.4	113.6	98.3	185.4	277.3	382.1	366

Source: Author's Construct; Data base Amansie East and Atwima District Budget Office Records

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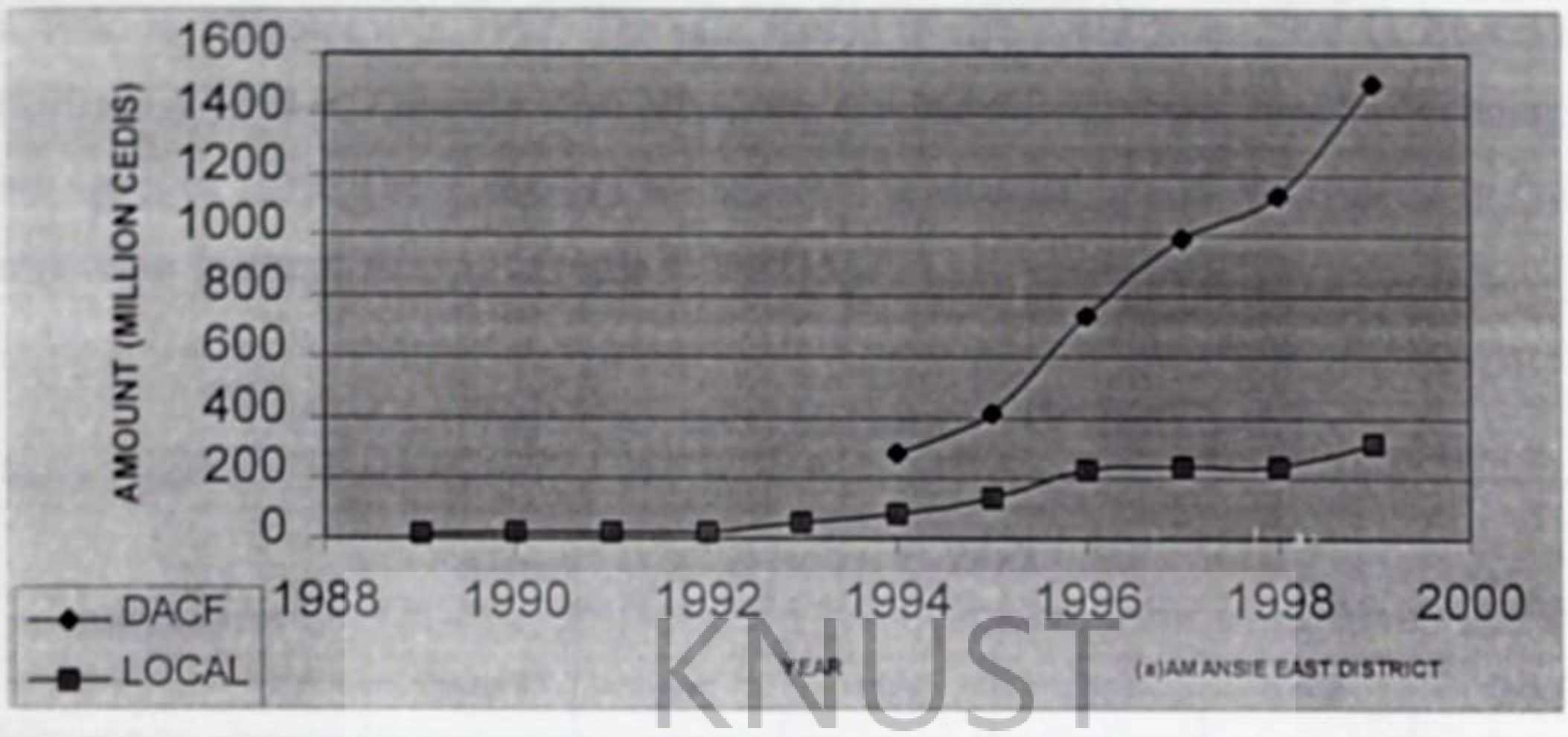
FIGURE 4.1 GRAPHIC PRESENTATION OF DACF AND REVENUE MOBILISED BY AMANSIE EAST AND ATWIMA DISTRICT ASSEMBLIES



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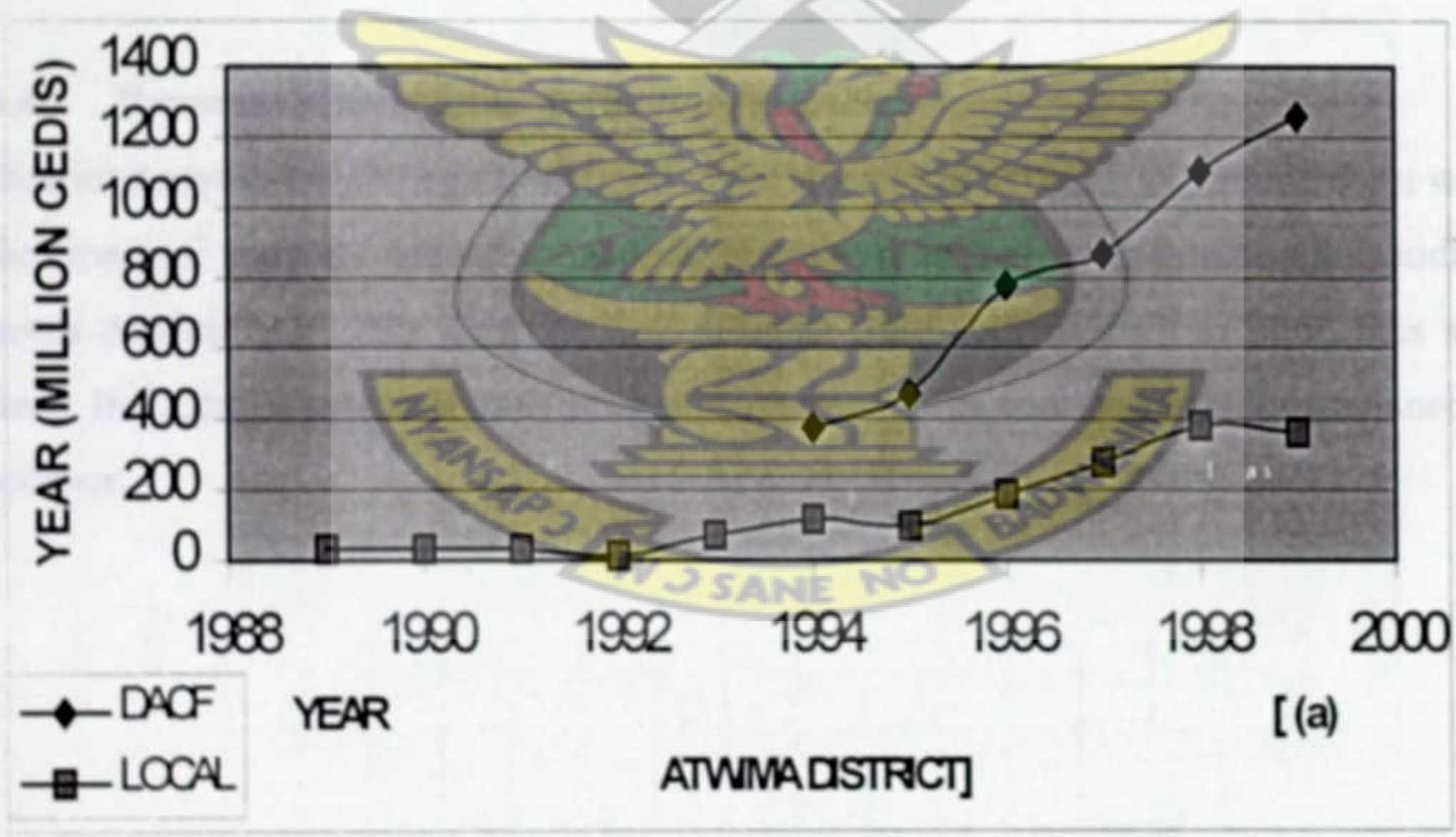

Source: Authors Construct based on field data, 2000

Besides, analysis of data shows that the annual growth rate of the fund fluctuates. For instance, the annual growth rate of the fund to Amansie East and Atwima District Assemblies shows a decline after 1996. Table 4.2 provides a picture of this situation with respect to the annual growth rate of the DACF to the two districts. In Amansie

East district the growth rate fell from 78.1 percent in 1996 to 34.7 percent in 1997 and further declined to 14.4 percent in 1998. In Atwima district, it fell from 65.5 percent in 1996 to 12 percent in 1997. The rate started to rise again from 1998 in Atwima district and 1999 in Amansie East. However, Atwima district experienced a declining rate again in 1999. These changes are reflected in changes in IGF in response to the responsive factor of sharing formula of the DACF.

TABLE 4.2: ANNUAL GROWTH RATE OF THE DACF

DISTRICT	YEAR					
	1994	1995	1996	1997	1998	1999
AMANSIE EAST	0	44.5	78.1	34.7	14.4	32.5
ATWIMA	0	28.8	65.5	12.0	26.2	14.2

Source: Author's Construct; Data base: LGID Vol. 12 No 6 Nov – Dec 1999

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4.4 Revenue Mobilisation at the Local Level

District Assemblies are legally obliged to mobilise local revenue to provide them with the financial capacity needed to respond effectively to their ever increasing spending needs Accordingly, they generate own revenue from sources such as rates, fees and fines, licences, rent on assembly property, investment income and from miscellaneous sources.

TABLE 4.3 Percentage Contribution of Local Revenue items to Total IGF

		Before DACF (1998 - 1993)						After DACF (1995 - 1999)					
	REVENUE	**1989**	**1990**	**1991**	**1992**	**1993**	**Mean**	**1995**	**1996**	**1997**	**1998**	**1999**	**MEAN**
DISTRICT / **AMANSIE EAST**	Rates	35.8	24.4	23.0	18.8	12.3	**22.8**	7.0	5.2	5.8	17.1	12.4	**9.5**
	Licences	9.7	16.8	12.2	10.9	50.2	**19.7**	15.5	10.9	12.0	14.2	5.1	**10.3**
	Fees & Fines	30.1	31.1	39.3	42.5	17.8	**32.2**	12.4	7.3	11.2	13.3	5.2	**11.0**
	Rent On Property	0.4	0.6	0.1	0.1	0.04	**0.2**	0.0	0.2	0.2	0.5	0.3	**0.2**
	Lands Revenue	2.8	14.6	20.5	24.6	18.5	**16.2**	62.6	75.2	65.8	52.9	20.5	**55.4**
	Investment Income	12.7	2.7	0.5	-	-	**5.3**	-	0.2	0.3	1.2	56.2	**14.5**
	Miscellaneous	8.5	9.7	4.4	3.1	1.2	**5.4**	2.5	1.2	2.7	0.8	0.3	**1.5**
	TOTAL	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
ATWIMA	Rates	59.1	46.6	29.2	14.0	16.7	**33.1**	23.1	13.5	8.0	9.7	13.3	**13.5**
	Licences	9.0	12.4	17.5	21.0	12.9	**14.6**	12.8	10.7	8.9	7.9	15.3	**13.9**
	Fees & Fines	14.8	19.2	21.0	22.3	26.5	**20.8**	32.0	26.9	15.7	18.7	38.6	**26.4**
	Rent On Property	-	0.2	-	8.6	0.6	**3.1**	0.3	0.9	0.5	0,5	0.4	**0.6**
	Lands Revenue	13.6	13.0	31.6	33.5	43.0	**26.8**	25.3	33.4	62.4	54.4	28.2	**40.7**
	Investment Income	3.0	8.1	0.3	0.2	-	**2.9**	5.1	14.3	4.4	8.2	4.0	**7.2**
	Miscellaneous	0.5	0.5	0.4	0.4	0.3	**0.4**	1.4	0.3	0.1	0.6	0.2	**0.5**
	Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Figures for 1994 were deliberately omitted because the time of the year in which the DACF was released and the effects of the fund on IGF in that year are not certain.

It has been established earlier in this report that with the DACF total revenue mobilised by the District Assemblies have increased over the years. The sample District Assembly revenue officers attribute increases in local revenue mainly to efficiency in revenue collection. The Local Government Inspector for Atwima district in particular stresses that the revenue mobilisation van bought from their portion of the DACF has brought about this question of efficiency in mobilising revenue at the local level. Some other officers in the same district attribute the increase in local revenue to periodic increases in fees and rates, income from lorry parks since the parks were handed over to the Ghana Private Road Transport Union (GPRTU). Such method of revenue mobilisation is very efficient. Nowadays, taxes such as income tax and licences are collected through organised unions or associations. In the case of GPRTU, the union collects income tax from members and pays to the district assemblies. It is therefore difficult for members to evade tax payment. Other factors, which affect district assemblies' local revenue, include availability of logistics, higher rate, privatisation of enterprises owned by the district assemblies and portfolio investment (equity and treasury bills). With logistics and investment as factors affecting local revenue mobilisation, one is inclined to say that the DACF has an indirect effect. This is because, logistics and investment (brought about by the DACF) per se can not ensure an increase in IGF unless the workers are determined to work effectively. However, with adequate logistics, workers are motivated to work hard.

The main local revenue sources identified in the study rather form the basis of analysis

However, critical analysis of data on local revenue does not give credence to such a bright picture for each local revenue item. Available data for sample District Assemblies shows that the exact receipts from the sources of local revenue change from year to year. Such changes affect the contribution of each revenue item to total local revenue. Changes of this kind are shown in Table 4.3 which provides the percentage contribution of local revenue items to total IGF of Amansie East and Atwima districts.

Table 4.3 shows the contribution of each revenue item to total local revenue for each year between 1989 - 1993 and 1995 - 1999. It summarises the mean contribution of each local revenue item to total local revenue within the stated period. Table 4.3 thus forms the basis of analysis for each revenue item identified.

4.4.1 Rates

Rates are lump sum taxes levied on each adult or property. The components include basic rates, property rates[3] and sanitation rates in some districts. Rates contribute moderately to total local revenue. In Atwima district for instance, revenue from rates was ¢17.7 million in 1989; it fell to ¢14.1 million in 1994 and increased consistently to ¢48.8 million in1999. In Amansie East rates revenue in 1989 was only ¢6.1 million but by 1999, it had reached ¢46.7 million. Such was a good performance on the part of the Assemblies. Before the introduction of the DACF, rates contributed an average of 22.8 percent of total IGF in Amansie East district. Upon the introduction of the DACF however, rates contributed only 9.5 percent between 1995 - 1999. Comparable figures for Atwima district were 33.1 percent and 13.5 percent.

Upon considering the percentage contribution of rates to total local revenue, it becomes clear that the bright picture portrayed above is nothing to write home about. In 1989, rates were the major local revenue item, contributing 35.8 percent to total local revenue mobilised by Amansie East District Assembly. Reference to Table 4.3 shows that contribution of rates in this district declined to a minimum of 5.2 percent in 1996 and then rose gradually to 12.4 percent in 1999. The situation in Atwima district was not different. Contribution of rates declined from a maximum of 59.1 percent in 1989 to a minimum of 14 percent in 1992, after which it finally fell to 13.3 percent in 1999.

Primary data obtained from the questionnaire have shown that the general decline in growth rates to total local revenue of the District Assemblies cluster around the following:

- Rate payers' reluctance to pay rates or taxes owing to their belief that with the DACF, there is no need for them to pay taxes or rates. In an interview with staff of Amansie East District Assembly, the Deputy District Co-ordinating Director had this to say: 'the people do not pay the tax. They claim we should rely on the DACF to finance our development projects but not to worry them with taxes'.

- Lack of effective monitoring and supervision of revenue collectors leading to leakage of rates collected.
- The District Assemblies inability to enforce collection of rates.
- Suppression of value books.
- Lack of motivation to revenue collectors, leading to inefficiency in rate collection.
- Lack of reliable data pertaining to financial resource mobilisation through rates or taxes.

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4.4.2 Licences

Revenue from licences is derived from a variety of sources including licensing of kiosks, district weekly lotto operators and registration of commercial vehicles and artisans. Revenue from licences has been increasing since 1994. It provided a minimum sum of ¢2.8 million in 1989 in Atwima district, but by 1998, it had reached a peak of ¢30.1 million. In Amansie East district, licences provided only ¢1.7 million in 1989 but increased gradually to ¢34.2 million by 1998. Increasing amount of revenue from licences in the two districts could be explained by the following answers obtained from sample officers:

- Increasing level of economic activities liable to licensing
- Availability of computers to ensure effective data base
- Availability of revenue mobilisation vans to enable revenue officers to reach licensed business communities all over the district.

[3] Research for this study has shown that it is the main source of revenue to the rate sub-item, and accounts for over 65 percent of revenue from rates.

Staff of sample districts confirm that the computers and the revenue mobilisation vans were bought from portions of the DACF and hence credit for the increased revenue from licences must be given to the fund.

Reference to Table 4.3 indicates that revenue from licences contributes on the average 19.7 percent to total local revenue mobilised by Amansie East district between 1989 - 1993. In the same district contribution of licences to total IGF declined 11.5 percent after the DACF was introduced. This trend occurred in Atwima district with 14.6 percent before the DACF was introduced and 13.9 percent after. Figures obtained from Amansie East district confirm the importance of licences at the local level. Table 4.3 gives an impression of the importance of licences to Amansie East district in 1993 when revenue obtained constituted 50.2 percent of total local revenue for that year. It is interesting to note from Table 4.3 that in Amansie East district contribution of licences to total local revenue rose from a modest level of 9.7 percent in 1989 to a maximum level of 50.2 percent in 1993. Another interesting observation from the table is that, after 1993,the contribution of licences in revenue mobilisation in this district declined to 5.1 percent in 1999.

Table 4.3 shows that on the average, the district assemblies performed better in revenue mobilisation from licensing before the DACF than after it. Field investigations have shown that even though the decline in the contribution of licences occurred in 1994 (when the first release of the DACF was made) one cannot attribute the fall to the introduction of the DACF. The common reason given by respondents is that revenue from some licences cannot be effectively collected; hence the inclusion of such sources on the list of revenue sources only complicate the revenue mobilisation system. This is particularly true to Atwima district where in 1998, the District Assembly collected only ¢30,000 from licensing trolleys, when it collected over ¢4 million from licensing kiosks in the district.

4.4.3 Fees and Fines

This source of revenue is indispensable to the District Assemblies as it contributes over 20 percent to their total local revenue. Major sources in this category include

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court fines, revenue from market tolls, farm produce and timber logs. Its average contribution to total local revenue in Amansie East between 1989 - 1993 and 1995 - 1999 were 32.2 percent and 12.0 percent respectively. In Atwima district, comparable figures were 22.2 percent and 26.4 percent.

Fees and fines were the most important source of revenue for Atwima district in 1999 as it mobilised ¢141.2 million accounting for 38.6 percent of local revenue. Table 4.3 reveals that in 1989, fees and fines contributed to 14.8 percent of local revenue at Atwima; it increased to 30.2 percent in 1995, declined for the next three years and rose to the maximum in 1999. Contribution of this local source of revenue was therefore quite good throughout the period 1989 - 1999

In spite of the increased percentage contribution of fees and fines in Atwima between 1995 and 1997, Table 4.3 shows that there was a general increase in the amount of from this source except for 1997. The corresponding figures from 1994 to 1999 were ¢30.6million, ¢31.4million, ¢49.8million, , ¢43.5million, ¢71.5million and ¢141million respectively. Officers interviewed in Atwima district attribute the increase to increased DACF allocation to the district. No explanation was given to explain how the DACF effect increases in revenue from fees and fines. The probable explanation might be that of the responsive factor of the DACF sharing formula which motivated the district to improve the collection of fees and fines.

Table 4.3 shows that the contribution of fees and fines to local revenue in Amansie East was 30.1 percent in 1989, which was ¢4.9million. The amount increased to ¢10million constituting 42.5 percent in 1993. Revenue mobilised by the district further increased to ¢27.2 million, that is 13.3 percent in 1998 but fell to ¢19.7million representing 5.2 percent of total local revenue in 1999.Field research has shown that this downward trend occurred as a result of double taxation. In Atwima district, it was noted that both the District Assembly and the central government collect registration fees from each registered business especially the banker-to-banker, artisans, traders among others. Those in these businesses often complain of double payment of taxes.

They hence resist vehemently making it difficult for the District Assembly to collect fees effectively.

4.4.4 Rent on District Assembly Property

Revenue from rent of Assembly staff quarters and rest houses are the main sources of revenue in this category. Rent contributes least to total local revenue; in most cases its contribution is less than 0.2 percent in Amansie East between 1989 - 1993 and 1995 - 1999. In this district, contribution from rent fluctuated between 0.02 percent and 0.6 percent with the highest revenue of ¢1.2 million constituting 0.5 percent in 1998. Field investigations have shown that given the large number of staff quarters at Bekwai, the district capital, revenue from rent in Amansie East is doubted. Contribution from rent to total local revenue in Atwima district is likewise trivial. Its highest contribution of 8.6 percent in 1992 declined to 0.4 percent in 1999. Table 4.3 reveals that rent contributed nothing to revenue in 1989 and 1991. The mean contribution of rent to total IGF in Atwima district before and after the introduction of the DACF were3.1 percent and 0.1 percent

In either district, no one was willing to talk about the minute contribution of rent to total local revenue. In the opinion of the researcher, revenue from rent of District Assembly property should be substantial, but for impropriety and fraud by some District Assemblies Officials.

4.4.5 Lands Revenue

This is so far the most important source of local revenue to the District Assemblies. Revenue from lands is obtained mostly from stool lands revenue, mineral royalties and revenue from building permits. Revenue from lands is important to urbanised districts where land price is high; and also for districts endowed with timber and mineral deposits.

As far back as 1989, Atwima district mobilised ¢4.1 million and in 1999 it had a colossal sum of ¢103 million from landed property. Reference to Table 4.3 indicates that these amounts represent 13.6 percent and 28.2 percent respectively of total local

revenues. In Atwima district, the highest contribution of lands to total local revenue of 62.4 percent occurred in 1997. In Amansie East district, comparable figures were ¢2.0 million in 1989 and ¢77 million in 1999. These amounts represented 2.8 percent and 20.5 percent of total local revenues for the two years respectively. The highest percentage however was 75.2 percent in 1996.

In Amansie East, there are gold processing activities in places such as Boni (Behenase), Koniyaw and Kokotro. The same is true in Atwima district at places such as Kobeng and Kwanfinfi. Field investigations have shown that these activities including processing activities at Fabi Timbers, Dua Sawmills Limited and Princewood Complex in Atwima district account for the high contribution of lands revenue to total local revenue in the sample districts. Sample District Assembly Revenue Officers claim that beside these economic activities, increases in efficient revenue collection from mining and other industrial complexes account for the increase in revenue from lands.

It is interesting to note from Table 4.3 that the mean contributions of land to total IGF in both districts between 1995 - 1999 exceed the 1989 - 1993 figures. In Amansie East, it was 55.4 percent within the period 1995 - 1999 as against 16.2 percent for 1989 - 1993. In Atwima district, it was 40.7 percent as against 26.8 percent. The share of lands revenue is therefore very clear.

4.4.6 Investment Income

An important requirement in the financial management of any development-oriented institution is for it to invest its financial resources in areas that will yield maximum returns. It is for this reason that government through Section 89 of Act 462 empowers each District Assembly to invest portions of the assembly's revenue as approved by the Assembly. Even before the Act, District Assemblies engaged in investment but with little returns.

In Amansie East, investment income contributed 12.7percent, 2.7 percent and 0.5 percent to total local revenue in 1989, 1990 and 1991 respectively. The observed

decline prompted the Assembly to liquidate its investment activities from 1992 to 1995. With the DACF further investment activities contributed 0.2 percent, 0.3 percent 1.2 percent and 56.2 percent in 1996, 1997, 1998 and 1999 respectively.

Before the introduction of the DACF, the district assemblies invested in sale of agricultural inputs such as fertilizers and farm implements. These needed only a small capital and were operated on small scale. Profits on investment were like wise small. However, after the introduction of the DACF, district assemblies invested in shares of industrial establishments and treasury bills. Amansie East, for instance, invested in AGC shares while Atwima district invested in Darko Farms shares.

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In Atwima district, contribution of investment income declined from 3.0 percent to 0.2 percent between 1989 and 1992. Sensing danger of being bankrupt, the Atwima district assembly liquidated its investment activities in 1993 and 1994 when investment revenue was trivial. In 1995, with funds from the DACF, the Assembly went into investment where revenue from investment fluctuated from 5.1 percent, 14.3 percent 4.4 percent 8.2 percent and 4.0 percent between 1995 and 1999 respectively.

In the sample districts, field investigations show that the Assemblies' investment in viable economic activities such as investment in treasury bills and AGC shares are a contributory factor to their success story in revenue mobilisation in recent years. A comparison of before and after introduction of DACF in Table 4.3 shows that both districts performed better in local revenue mobilisation through investment.

4.4.7 Miscellaneous

These are unspecified receipts of the District Assemblies. It could be grants from donor agencies or residents at home and abroad. Like some other sources, miscellaneous sources also fluctuate. Table 4,3 shows the level of fluctuation. In Amansie East, it fluctuates between 9.7 percent and 0.5 percent within the period under review.

In Atwima district, comparable figures are 0.1 percent and 0.5 percent. There are no cogent reasons for the low and fluctuating contribution of this source of revenue except that there is no permanent source for it.

In Amansie East district, revenue from miscellaneous sources averaged 5.4 percent between 1989 - 1993, which was better than the 1.5 percent for the period 1995 - 1999. The situation in Atwima district was different. Here, an average of 0.5 percent was received in 1995 - 1999 as against 0.4 percent for 1989 - 1993.

4.5 Expenditure Patterns in the District Assemblies

This section examines the sectoral allocation of the DACF and the trend of Local Government expenditure.

4.5.1 Sectoral Allocation of the DACF

District Assemblies allocate the DACF on sectoral basis. These are social, economic, institutional, spatial and environmental.

Allocation to the Social Sector

The DACF is allocated to the social sector in respect of expenditure on education, health, rural housing, water and sanitation among others. In education, DACF is spent on the construction or rehabilitation of primary schools, junior and senior secondary schools. On health, expenditure from the DACF is made on family planning campaigns, immunization and nutritional campaigns and construction or rehabilitation of health posts or health centres.

Table 4.4 shows that, through out the period 1994 – 1999, the social sector took the highest percentage of the districts' allocation of the DACF. The reason is explained by the following: Central government bears responsibility for educational needs of the nation. This includes the provision of school buildings, workshops, libraries and science resource centres. Emoluments of teaching and non-teaching staff are paid by the central government. But the central government has not got the funds to meet all these obligations. This has put pressure on district assemblies to supplement government effort. Since the introduction of the DACF therefore, district assemblies

have been contributing to the development of education by means of constructing or rehabilitating classrooms, offices, workshops, libraries and staff quarters. Between 1994 and 1999, Amansie East District Assembly (AEDA) spent ¢1.5 billion for the promotion of education.

For the long neglect of the rural areas in terms of development, each village wants a share of the national cake – DACF. Thus the numerous demand from both rural and urban communities have stressed the district assemblies for the provision of roads, water, health facilities, public places of convenience, storm drains and many more. The demand for all these facilities or services in rural districts such as Amansie East and Atwima districts explain why DACF allocation to the social sector should be of priority.

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Allocation for Institutional Development

Expenditure from the DACF in respect of institutional development is made on monitoring and evaluation of DACF sponsored projects, workshops and training of district assembly personnel, technical assistance for capacity building and payment for consultancy services.

In Amansie East its share of the DACF increased from 0.5 percent of total DACF allocation to the district in 1995 to 40 percent in 1999. In Atwima district it declined from 41.8 percent in 1995 to 15.5 percent in 1999. Interview with some staff of both districts revealed that institutional capacity building is important in so far as staff training is concerned in the former but not necessarily so in the latter district. Therefore while so much is put into training in Amansie East, the contrary occurs in Atwima district. This particular phenomenon explains the differences in the trend of DACF allocation for institutional development in the two districts.

Table 4.4 Sectoral Allocation of the DACF (1994 - 1999)

ATWIMA DISTRICT						
Year	Percentage of Annual Total of the DACF					Annual Total of the DACF (¢m)
	Social	Economics	Institutional	Spatial	Env'tal	
1994	35.8	11.3	38.7	-	14.2	374.9
1995	52.1	4.3	41.8	-	2.7	471.5
1996	54.4	4.5	37.7	1.4	2.1	780.4
1997	60.3	10.6	27.0	2.1	-	874.0
1998	49.2	27.7	24.0	2.9	1.2	1103.4
1999	41.1	39.1	15.5	2.2	2.1	1260.0
AMANSIE EAST DISTRICT						
1994/95	84.2	6.6	8.2	-	1.0	698.0
1996	93.3	6.2	0.5	-	-	734.5
1997	71.5	6.4	18.8	1.1	2.2	989.6
1998	48.4	21.1	21.1	5.5	3.9	1131.9
1999	45.7	7.0	40.0	1.3	6.0	1500.0

Source: Author's construct based on District Budget Office Records

Allocation for Economic Sector Development

Economic sector development concerns construction of markets and silos, rehabilitation of feeder roads, extension of national electricity grid to some settlements and poverty alleviation.

Analytical study of Table 4.4 shows that in allocating DACF on sectoral basis at the local level, economic sector is next to institutional in importance. On the whole, the share of the DACF that goes into economic sector development has been decreasing. The trend of the share of the DACF to the economic sector in Amansie East district exhibits fluctuating trend. Table 4.4 shows that it fluctuates between 6.6 and 21.1 percent within the DACF period. In Atwima district it fluctuated between 4.3 and 39.1 percent over the same period. The high fluctuation in Atwima was due to the district's high priority for economic sector development. In 1996 the district's major

development concern was the construction of markets in major towns and rehabilitation of access roads to the peripheral area of the district. 1996 being an election year, this trend could have a political undertone

In Amansie East, the general decline in the share for economic sector development is explained by the decline in the amount given out for the poverty alleviation. Respondents from the district claim that repayment rate of loan from the poverty alleviation fund is very low and hence the Assembly finds it difficult to maintain the level of loans over the years. In 1998 the abrupt increase to 21.1 percent was the result of the Assembly's involvement in implementing an ASIP market at Bekwai.

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Allocation for Environmental Sector Development

Disaster relief or management basically determines the allocation for environmental development. For that reason, in some years no allocation is made to the sector. In Amansie East, no allocation was made to the sector in 1996; in Atwima, 1997 suffered the odds. In an interview with some senior staff from the sample districts, it was noted that environmental issues are not a priority in the district assemblies. Other areas of concern are establishment of community woodlots and agro forestry campaign.

Allocation for Spatial Development

Preparation of settlements layout are the major channel through which DACF allocation to this sector is spent. This exercise requires the preparation of base maps for the various settlements. Table 4.4 shows that in many instances, no allocations of the DACF were made for spatial development. However, when spatial development was considered, less than 6.0 percent of the DACF was allocated for it. It is seen from Table 4.4 that spatial development gets the least proportion of the DACF. Between 1994 and 1999, only ¢96.6million of the DACF was spent for spatial development in Atwima district. In Amansie East district, only ¢70 million went into spatial development. These constitute 2.0 percent of the total DACF allocation in each district within the period. It appears that spatial development is of least importance to the district assemblies.

4.5.2 General Trend

In this analysis, the percentage of the districts' total budgetary allocation that went to the various expenditure items are calculated. Data on selected District Assemblies' expenditure are available for the period 1989 – 1999 with breakdown to what went to make up the figures (shown in Table 4.5). In Atwima district, the mean of the district's total current expenditure before the DACF exceeds the mean after the DACF was introduces. It was 73.6 percent between 1989 - 1993 as against 46.2 percent between 1995 - 1999. The mean for each recurrent expenditure sub item was like-wise greater in 1998 - 1993 than in 1995 - 1999. For the capital expenditure, the mean for the period between 1995 - 1999 was 53.8 percent which was greater than the mean of 26.4 percent for 1989 - 1993 As stated in Section 2.5 of this report, government demonstrated its financial support to the district assemblies in the formative years of the new local government system by releasing over ¢800 million for renovating old and dilapidated buildings or constructing new ones for use as office or residential accommodation.

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TABLE 4.5 EXPENDITURE PATTERNS IN THE DISTRICT ASSEMBLIES

ATWIMA DISTRICT												
BEFORE INTRODUCTIONOF THE DACF							AFTER INTRODUCTION OF THE DACF					
Recurrent Expenditure	1989	1990	1991	1992	1993	**Mean**	1995	1996	1997	1998	1999	Mean
Personal Emolument	12.2	12.4	22.0	23.3	19.0	**17.7**	3.7	4.5	8.8	32.4	32.4	**16.4**
Travel & Transport	27.0	26.2	26.9	20.8	13.8	**22.9**	3.9	4.3	5.3	27.5	19.8	**12.2**
General Expenses	9.8	10.5	10.3	7.3	7.3	**9.0**	2.4	3.3	4.4	12.8	8.1	**6.2**
Maintenance/Repairs	8.2	5.6	1.9	1.4	1.9	**13.9**	0.5	0.4	0.5	1.3	0.9	**0.7**
Miscellaneous	20.3	25.3	22.6	16.0	15.4	**19.9**	5.2	4.6	3.5	22.7	18.0	**10.8**
Total Recurrent Exp	77.5	80.8	83.7	68.8	57.4	**73.6**	15.7	17.1	22.5	96.5	79.2	**46.2**
Capital Expenditure	22.5	20.0	16.3	31.2	42.6	**26.4**	84.3	82.9	77.5	3.5	20.8	**53.8**
AMANSIE EAST DISTRICT												
Recurrent Expenditure	1989	1990	1991	1992	1993	**Mean**	1995	1996	1997	1998	1999	**Mean**
Personal Emolument	68.7	54.6	44.6	39.0	33.0	**48.0**	11.7	9.0	8.2	11.7	36.9	**15.5**
Travel & Transport	11.7	13.6	17.2	12.0	10.7	**13.0**	5.3	32.3	41.5	47.1	15.5	**30.3**
General Expenses	7.3	6.2	5.6	3.0	2.5	**4.9**	1.8	18.7	19.0	22.1	12.5	**14.8**
Maintenance/Repairs	0.7	0.7	0.8	0.6	0.5	**0.7**	0.9	10.5	4.1	3.2	3.6	**4.5**
Miscellaneous	8.1	9.0	9.6	0.6	5.2	**6.5**	3.9	29.5	27.2	15.9	15.0	**18.3**
Total Recurrent Exp	**96.5**	84.1	77.8	55.2	41.8	**71.1**	23.6	100	100	100	83.5	**81.4**
Capital Expenditure	**3.5**	15.9	22.2	44.8	58.2	**28.9**	76.4	-	-	-	16.5	**18.6**

Figures for 1994 were deliberately omitted because the time of the year in which the DACF was released and the effects of the fund on IGF in that year are not certain.

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The share obtained by the districts explains the extent of their capital expenditure in the early years. By 1994, when the DACF Act (1993) Act 455 was operationalised, the district assemblies had enough funds to implement more capital developments.

Table 4.5 again shows that the recurrent expenditure pattern of Amansie East district has a peculiar feature. There was no capital expenditure between 1996 - 1998 for reasons explained later in this report. Accordingly, the average capital expenditure for the period between 1989 - 1993 was greater than the average for 1995 - 1999. These were 28.8 percent against18.6 percent respectively. In this same district, however, the mean for the district's total recurrent expenditure for the period before the DACF was71.1 percent as compared to 81.4 percent after the introduction of the DACF.

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The distribution of spending by the districts according to services provided, shown in Table 4.5, makes one observation clear. That before 1994, the share of recurrent expenditure to total budgetary allocation of the districts exceeded the share of the capital expenditure. An exception to this rule was in 1993 in Amansie East district when the latter exceeded the former by 16.4 percent. The explanation is that, before 1994 when there was no DACF, the financial capacity of the district assemblies was limited hence suppressed their capital expenditure. Accordingly, officers interviewed claim that the only option left for the district assemblies at the time was to spend their limited finances on recurrent items such as purchase of stationery, payment of bills (telephone, water, electricity and medical), travel and transport (T & T), general administration among others. After 1994, the share of capital expenditure exceeded in most cases that of recurrent expenditure. A confirmation of this assertion is demonstrated in Table 4.4.1. In Atwima district, excess capital over recurrent expenditure occurred between 1995 and 1997. However, the general trend does not hold for 1998 and 1999, a period when capital expenditure had only 3.5 percent and 20.8 percent respectively of total budgetary allocation. Respondents explained that during this period the release of DACF to the district was delayed so implementation of development projects was deferred to latter years. In Amansie East district, excess capital expenditure over recurrent expenditure occurred in 1995. The reason for this phenomenon is not difficult to find. It must be recalled that the DACF is meant for

development projects: construction of markets, district assembly office and residential accommodation, boreholes, health centres and schools among others. Officers interviewed rightly answered that with the introduction of the DACF, capital expenditures have increased. However, a cursory look at Table 4.4.1 reveals that there was no capital expenditure in Amansie East district from 1996 to 1998. Considering annual releases of DACF to the districts, the avoidance of capital expenditure in Amansie East district for the three-year period appears inexplicable. However, it was noted from field study that the delay in the release of the fund may have prompted the Assembly to invest the amount rather than to spend it on development projects. Some officers interviewed explained that in an inflationary period the delay in the release of the fund caused variation in contract sum of projects – a phenomenon, which could plunge the district into indebtedness. Data on selected district assemblies' current expenditure are presented in the breakdown format giving specific percentages that constitute personal emolument, T & T, general expenses, repairs or maintenance and miscellaneous

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□ Travel and Transport (T & T)

Among the recurrent expenditures, T & T accounts for the largest share of total expenditure in Atwima district. Among the recurrent expenditure items, T & T had an average of 22.9 percent between 1989 - 1993. The comparable figure for 1995 - 1999 was 12.2 percent. In Amansie East district, the mean percentage share of the district's total budgetary allocation was 13.0 percent in 1989 - 1993 but increased to 30.3 percent between 1995 - 1999. Respondents attribute the increases to expenditure for monitoring and supervision of development projects sponsored by the World Bank, European Union and the District Assemblies through their share of the DACF.

□ Personal Emolument

Within the category of current expenditure, personal emolument consumes the largest percentage of total budgetary allocation in Amansie East district with an average of 48.0 percent from 1989 to 1993. In Atwima district, it ranks second with an average of 17.7 percent within the same period. Table 4.4.1 shows that between 1989 and

1993 the share of personal emolument increased in Amansie East but in Atwima district it fluctuated during the period. Personal emoluments are mandatory expenditures. The number of casual or commissioned workers that a district employs dictates the role played by the districts in the trend of expenditure on wages and salaries. Between 1997 and 1998Atwima district increased its commissioned revenue collectors by about 50 percent. This necessitated the increase in the share of personal emolument from 8.8 percent in 1997 to 32.4 percent in 1998 and 1999. Amansie East district however increased the number of commissioned revenue collectors and wages of diligent ones in 1998. This explains the increase in percentage share of personal emolument from 11.7 percent in 1998 to 36.9 percent in 1999.

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- General Expenditure

General expenditure constitutes an average of 4.9 percent and 14.8 percent of total budgetary allocation in Amansie East between 1989 - 1993 and 1995 - 1999 respectively. In Atwima district, averages of 9.0 percent and 6.2 percent were recorded in the same period. Expenditure in this category covers a lot of items including bank charges, electricity charges, stationery, training and workshops for staff. General expenditure in sample districts fluctuates according to fluctuations in expenditure on some of the items. For example, in 1998 when electricity charges were reviewed upwards, Amansie East district was worst affected and that reflects the 21.1 percent share of the general expenditure to total budgetary allocation. The same explains the 12.8 percent share of general expenditure occurred in Atwima district in the same year. Interestingly, these figures exhibit the largest share of current expenditures to total expenditures of the districts over the period under review.

- Maintenance / Repairs

Maintenance / Repairs takes the least share of total district budgetary allocation in both districts after the introduction of the DACF. As shown in Table 4.4.1 it constitutes an average of 4.5 percent of total expenditure in Amansie East from 1995 to 1999 and 0.7 percent from 1989 to 1993. In Atwima district as much as 13.9 percent was recorded as mean of the district's total budgetary allocation from 1989 to 1993 but from 1995 to 1999 the mean fell to 0.7 percent. An explanation given to this

is that, expenditure on maintenance and repairs has since 1989 been very low but increased slightly after 1995 when most district assemblies had purchased more vehicles which needed constant maintenance. In 1995, Amansie East district bought a tipper truck and a grader for the maintenance of feeder roads in the district. After using the vehicles for almost a year, the district serviced them. The 10.5 percent share of expenditure on maintenance to total expenditure in the district in 1998 as been shown in Table 4.4.1 is obvious. Atwima district however had to maintain a lot of deteriorated vehicles and buildings after about a year of its existence. This accounts for the relatively high percentage of 8.2 in 1989 and which gradually declined successively.

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- Other Recurrent Expenditure (Miscellaneous)

Other Recurrent or miscellaneous expenditure is unspecified expenditure made by the district assemblies. It ranks third in the districts expenditure pattern and fluctuates like many others in the budgetary allocations. Its average share of total expenditure of 19.9 percent compared to 1..8 percent in Atwima district between 1989 - 1993 and 1995 - 1999 respectively. In Amansie East district, the mean share of the district's total expenditure was 6.5 percent and 18.3 percent within the same periods respectively. From Table 4.4.1 it can be seen that miscellaneous expenditure increased significantly after 1995 with Amansie East registering a maximum of 15 percent in 1996 and 22.7 percent in 1999. The situation described occurred as a result of ex-gratia award paid to retired assembly members. In Atwima district the share of miscellaneous expenditure was high between 1989 and 1993. During this period the highest share of 25.3 percent was recorded. Table 4.4.1 shows a drastic fall in the share of recurrent expenditure to a minimum of 3.5 percent in 1997. Reasons for this trend was not disclosed. The high share of 22.7 and 18 percent in 1998 and 1999 respectively are explained to be the result of awards and scholarship to deserving and / or needy students.

CHAPTER FIVE
SUMMARY AND CONCLUSION

5.1 Introduction

The purpose of this study is to find the effects of the DACF on revenue mobilisation and expenditure patterns in the district assemblies in Ghana. In the course, the study examined the structure of the new local governments system and the stages of revenue mobilisation in the district assemblies. It also traced the history of financing local government in the country since 1951. In the new local government system, the DACF was looked at vis-à-vis locally generated revenue. A lot of issues came up. These issues are summarised. Based on the summary, which forms part of this chapter, recommendations are made and subsequently presented in the following sections.

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5.2 General Observations

Local government in Ghana has been part of the administrative system for many years. Past local government reforms have prepared the path for the current system; for example the structure, composition and functions of past local government units served as a guide for those in the present system. However, up to 1988 when the new local government reforms were introduced, the state of local government was fraught with deficiencies, among which are:

- Dual hierarchy structure in which the central and local government institutions operated in parallel
- Inadequate transfer of financial resources from the central to local government units. Grants paid to them were successively reduced weakening their ability to meet their commitment for which they were established
- Lack of effective machinery for decision making and planning at the local level

Learning from the strengths and weaknesses of past local government reforms, the PNDC initiated the new local government reforms which introduced the three – tier system: national, regional and local levels. The national level is established for legislation and policy formulation; the regional level for monitoring while the local level is primarily for preparation and implementation of development plans.

The local level has the district assembly as the unit of local government. Under Section 10 of Act 462 the district assemblies exercise deliberative, legislative and executive functions. For the district assemblies to perform their functions effectively, they are empowered and encouraged to mobilise and utilise funds for local development. Accordingly, four main revenue sources are made available to them. These are :

Locally generated revenue ,

Ceded revenue,

DACF and

Others such as urban credit and grants from benevolent organisations, citizens at home and abroad.

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5.3 The DACF

The DACF is shared annually to all the 110 district assemblies on the basis of a formula approved by Parliament. The fund is necessary because it

- allows the district assemblies to be financially sound; and
- enables them to finance local government projects.

Under the DACF, allocations are made to the district assemblies. The fund is however, found to be grossly inadequate considering the increasing demand from the communities.

In addition, the use of the fund is controlled by central government through directives. These central government directives on the use of the DACF are appropriate to direct the development of national priorities. However, they strand the autonomy that district assemblies deserve to ensure development at the grassroots. Additionally, the introduction of the DACF is seen to have affected revenue mobilisation and expenditure patterns in the district assemblies in many ways.

5.4 Positive Effects O f DACF On Revenue Mobilisation

This section provides a summary of the positive effects of the DACF on revenue mobilisation in the district assemblies. It was found that even though many authorities have asserted that the DACF impact negatively on local revenue mobilisation, it still has indirect positive effects on revenue mobilisation.

Beside the fund, other factor which influence the increase in local revenue are:

Improved efficiency in revenue collection from some revenue sources

Availability of natural endowments in the districts

Availability of productive investment potentials in the districts

Increased number of taxable property and economic activities in the district.

One important observation from the study is that the DACF has positive effects on some revenue sources and negative effects on others. The net effect is that of a general increase. Revenues, which have increased as a result of the DACF and some other factors, are investment income, income from fees and fines, property tax and lands revenue. In terms of investment, the study has shown that investment in treasury bills, AGC shares, commercial transport, grader and tipper truck operations are areas, which are productive and yield good returns. It was revealed that with the DACF, district assemblies are granted loans or overdrafts through informal connections with local banks knowing that the DACF would pass through them (the banks).

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5.5 Negative Effects of the DACF on Revenue Mobilisation

The introduction of the DACF is useful as a starter of development. However, an extreme reliance of district assemblies on it could rob them of the much needed and desired local autonomy. This is because, it has resulted in the decline of the share of revenue from some important sources such as rates and licences. In fact some ratepayers are not willing to pay rates because they think that the DACF is enough for the district assemblies to carry out their development functions. The study has shown that other reasons for the decline in revenue from rates and licences cluster around the following:

- Suppression of value books
- Inability of the district assemblies to enforce laws on rates collection
- Double taxation by both the central government and the district assemblies
- Impropriety and fraud by some district assemblies officials. This pertains to collection of rent without immediately paying in to the bank. The decline in revenue is due to the fact that revenue from some local sources cannot be effectively collected.

The study has shown that the inclusion of such revenue sources on the rate input only complicates revenue mobilisation at the local level.

5.6 Positive Effects of the DACF on Expenditure

Evidence from the research shows that the DACF has enabled district assemblies to invest in productive economic activities. If properly managed, these investments will make the district assemblies financially sound and autonomous such that in case the DACF is scrapped, the assemblies could still be functional.

The study indicates that the introduction of the DACF has changed the expenditure patterns in the district assemblies. Analysis of data for the study shows that the DACF has pushed the level of capital expenditure over and above total recurrent expenditure. This situation was atypical of the district assemblies during the period when there was no common fund.

With the common fund, district assemblies are able to give scholarship or awards to needy or deserving students. This is a good attempt at promoting education; a thing most districts could not do without the DACF.

5.7 Negative Effects Of DACF On Expenditure

The DACF has been very helpful to virtually all district assemblies. However, it has some negative effects on their expenditure patterns. The major negative effect identified is that of over-expenditure. The reason is that, district assemblies in anticipation of receiving the DACF, spend in advance. Some times, the anticipated amount from the DACF is not received; sometimes they receive less than anticipated as a result of deductions made at source. The resultant over expenditure causes indebtedness, and disorganised implementation of planned projects. The study revealed that the late release of the common fund to the district assemblies causes variation in contract sums of projects. The explanation given is that, with the delay in the release of the DACF, payments are normally deferred. However, as a result of price increases, new contract sums have to be negotiated. When this happens, the new contract sum becomes higher than budgeted. Again, the late release of the fund delays

implementation of projects. In some cases, the late release of the fund often pre-empts the district assemblies to save rather than invest. This is typical of Amansie East district, which did not spend on capital development of any kind from 1996 to 1998. This was a period when the release of the fund to the district was unduly delayed.

5.8 Recommendations

■□Local Revenue Mobilisation

If the district assemblies are to fulfil their role of supporting local level development, then there is the need to ensure that they set a sound financial framework for themselves. On this note they are advised not to rely solely on the DACF for development but they should endeavour to improve on their major sources of local revenue mobilisation to supplement the fund. Some important revenue sources, which they could consider, include fees and fines, lands and investment in treasury bills and AGC shares. District assemblies should concentrate only on collection of productive revenues and forget about maintaining a long list of relatively unproductive source.

They should establish a Revenue Mobilisation Sub- committee to identify sources of revenue and establish cost efficient ways of mobilising revenue from these sources. Double taxation should be avoided. Hence, central government should cease collecting taxes which district assemblies are empowered by law to collect. Central government compliance on this recommendation will encourage district assemblies to maximise their revenue mobilisation effort.

Public education should be intensified on the need for the community to exercise their civic rights in the form of responding to their tax obligations. On the part of the district assemblies, all monies collected should be deposited in the accounts at the local banks immediately. Again to avoid suppression of value books, district assemblies should issue master waybills at last barrier to enable them audit accounts of revenue collectors. It is also recommended that as a way of motivation, district assemblies must grant performance bonus to revenue collectors when the need arises.

■□Expenditure

With the unprecedented inflows of funds to the district assemblies, they must work to ensure that their services are effective and efficient in cost. As much as possible, over expenditure in the district assemblies should be avoided. To that effect, district assemblies should pre-audit payment vouchers and make strict application of financial regulations.

■□DACF

This study has shown that in the light of increasing demand from the communities the DACF is grossly inadequate. As a result, parliament and central government should consider increasing the DACF to a more substantial amount and also speed up the releases of the fund to foster accelerated development that Ghana needs and desires. Central government control of the utilisation of the DACF should be relaxed. This will give the district assemblies greater autonomy in utilising the fund to meet the needs of the community according to their priorities.

■□Areas for further research

The following areas are relevant areas for further research:

1. An application of financial management instruments for efficient use of financial resources at the local level
2. The relevance of fiscal reforms in the district assemblies and
3. Institutional capacity building for effective revenue mobilisation at the district level.

5.9 Conclusion

The prime objective of the common fund is to allow district assemblies to be financially sound enough to finance local government projects. The common fund currently is the major source of funding district assemblies. However, the existence of the fund should not be a cause for relaxation in local revenue mobilisation. What should be realised is that if government has to cut expenditure, the first option is to reduce transfer grants to local government units. Under such circumstances, revenue

mobilisation at the local level becomes pertinent. Staff of district assemblies should therefore know that the sustainability of the institution depends to a large extent on their ability to mobilise enough revenue at the local level. It is also important for them to know that the efficient use of their resources is enough to sustain the assembly no matter how small their resources may be. It is therefore concluded that if an independent body is set to ensure efficient use of revenues at the local levels the better. The RCC should be responsible for setting up this independent body to monitor the inflows and outflows of district assemblies' finances

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APPENDIX 1A Questionnaire for District Assembly Management Staff

DEPARTMENT OF PLANNING

FACULYT OF ENVIRONMENTAL AND DEVELOPMENT STUDIES

University of Science and Technology, Kumasi

QUESTIONNAIRE CODE					

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INTRODUCTION

This survey is to facilitate the writing of a thesis on the "Effects of DACF on Revenue Mobilisation and Expenditure Patterns in the District Assemblies". The thesis is in partial fulfilment of the requirement for the degree of Master of Science (M.Sc) in National Development Policy and Planning at the University of Science and Technology, Kumasi.

It is therefore hoped that respondents will co-operate to make the exercise successful.

INSTRUCTIONS

Where answers have been provided tick where appropriate. Where there are no answers, provide your own answers.

GENERAL INFORMATION

- Respondent period of work with the Assembly.....years
- Date of interview .....2000 AD

1.0 LOCAL SOURCE OF REVENUE

1.1Rank the following local sources of revenue in order of importance to the District Assembly in which you are working

Revenue Source	Rank
Rates	.....
Licences	.....
Fees and Fines	.....
Lands Revenue	.....
Investment income	.....
Other(s) specify	.....

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1.2 What special efforts are you making to fully / adequately explore the potentials of the most important source of local revenue to the District Assembly?.....

1.3 What kind of taxes are collected by the central government which your district assembly also collects ?

.....

1.4 What problem(s) does this pose to the district assembly in the revenue mobilisation process?

.....

.....

1.5 What other problems does the Assembly encounter in the revenue mobilisation process ?

.....

1.6 What revenue mobilisation strategies would you suggest to your district assembly

Privatise revenue mobilisation process [ ]

Computerise data base for periodic review [ ]

Engage only commission revenue collectors [ ]

Train or organise workshops for revenue collectors [ ]

Other(s) specify

.....

Provide revenue data of the district assembly in the form below: indicate the amount in millions of cedis

DESCRIPTION	YEAR										
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Rates											
Licences											
Fees and Fines											
Lands Revenue											
Investment Income											
Rent on Property											
Miscellaneous											
TOTAL											

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2.0 DISTRICT ASSEMBLIES COMMON FUND (DACF)

2.1 In your view what is the rationale behind the introduction of the DACF ?

Finance local government projects [ ]

Allow district assemblies to be financially sound [ ]

Bring district assemblies into the macroeconomic management of the economy [ ]

Other(s) specify

.....

2.2 In what ways does your Assembly respond to the rationale for introducing the DACF?

.....

.....

2.3 The release of the DACF to the district assemblies is often delayed. What problems does your district face as a result of such delays ?

Bankruptcy [ ]

Indebtedness [ ]

Delay in implementing development projects [ ]

2.4 How do you rate the overall adequacy of the DACF ?

Very adequate [ ]

Just adequate [ ]

Not adequate [ ]

Grossly inadequate [ ]

2.5Give reasons to support your answer to question 2.4

.....

.....

.....

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2.6 What suggestions would you wish to put across to government in connection to the DACF allocation ?

.....

2.7 What items has central government bought for the Assembly from your portion of the DACF

ITEM PURCHASED	AMOUNT

3.0 INVESTMENT

3.1What type of investment has the district assembly made since 1994 ?

TYPE OF INVESTMENT	SOURCE OF FUNDING

3.2 Which of the investments is making the greatest profit ?

.....

.....

3.3 What are the major constraints to investment by the district assembly.....

.....

.....

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3.4 If the Assembly has not engaged in any form of investment, why has it been so ?

Lack of capital for investment [ ]

No investment potentials in the district [ ]

Available investment potentials are not viable [ ]

Investment is not a priority to the Assembly [ ]

Other(s)

.....

4.0 LOANS

4.1Has the Assembly contracted any loan since 1994 ?

Yes [ ] No [ ] Do not know [ ]

4.2 If yes, what prompted the Assembly to contract the loan ?

To manage disaster [ ]

For investment expenditure [ ]

To pre-finance a contract [ ]

Other(s) specify

.....

4.3 If no, why has the Assembly not contracted any loan ?

The Assembly has no collateral security [ ]

Minister of Finance did not approve of the loan [ ]

The Assembly is credit worthy [ ]

Other(s) specify

.....

5.0 EXPENDITURE

5.1 What in your view is / are the cause(s) of over expenditure in the district assembly

Inflation [ ]

Late release of DACF to the district assemblies [ ]

Purchases by central government on behalf of the district assembly [ ]

Other(s) specify

.....

5.2 What kind of control system has your district assembly put to avoid over expenditure

.....

5.3 Provide data on the expenditure of the district assembly in the following form indicating amounts in million cedis

DESCRIPTION	YEAR										
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Personal emolument											
T & T											
General expenditure											
Maintenance											
Miscellaneous											
Capital expenditure											
TOTAL											

KNUST

5.4 SECTORAL ALLOCATION OF THE DACF

Indicate in percentages or in million cedis, how much of the DACF is allocated to each sector

SECTOR	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**
SOCIAL DEVELOPMENT						
ECONOMIC DEVELOPMENT						
INSTITUTIONAL DEVELOPMENT						
SPATIAL DEVELOPMENT						
ENVIRONMENTAL DEVELOPMENT						
TOTAL						

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APPENDIX 1B Questionnaire for District Assembly Revenue Collectors

DEPARTMENT OF PLANNING

FACULYT OF ENVIRONMENTAL AND DEVELOPMENT STUDIES

University of Science and Technology, Kumasi

QUESTIONNAIRE CODE					

KNUST

INTRODUCTION

This survey is to facilitate the writing of a thesis on the "Effects of DACF on Revenue Mobilisation and Expenditure Patterns in the District Assemblies". The thesis is in partial fulfilment of the requirement for the degree of Master of Science (M.Sc) in National Development Policy and Planning at the University of Science and Technology, Kumasi.

It is therefore hoped that respondents will co-operate to make the exercise successful.

INSTRUCTIONS

Where answers have been provided tick where appropriate. Where there are no answers, provide your own answers.

GENERAL INFORMATION

- Respondent period ofworkwiththeAssembly.....years
- Date of interview ..... 2000 AD

1 Age of respondent .....years

2 Sex of respondent: male [ ] female [ ]

3 Marital status: single [ ] married [ ] Other, specify.....

4 What is the size of your family ? .....

5 How much are you paid per month?

Less than ¢ 150,000.00 [ ]

Between ¢ 150,000.00 - ¢ 199,000.00 [ ]

Between ¢ 200,000.00 - ¢ 249,000.00 [ ]

¢ 250,000.00 or more [ ]

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6. On the average, how much tax do you collect per month?

Less than ¢ 150,000.00 [ ]

Between ¢ 150,000.00 - ¢ 199,000.00 [ ]

Between ¢ 200,000.00 - ¢ 249,000.00 [ ]

¢ 250,000.00 or more [ ]

7. What do you expect the district assembly to do for you which they have not done?

Increase salary or wage of revenue collector [ ]

Organise workshop for revenue collector [ ]

Provide convenient means of transport [ ]

Allow you to pay revenue collected into the Assembly's bank account [ ]

8.How do you find the revenue collection exercise?

Very easy [ ] Easy [ ] Difficult [ ] Very difficult [ ]

9. Give reason(s) to support your answer to question 8 above

.....

.....
....

10. How many training workshops / courses have you attended? Indicate training workshops attended with dates

Training workshop / course	Date
1st. workshop	
2nd. workshop	
3rd. workshop	
4th workshop	

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11. Are you bonded? Yes [ ] No [ ]

12. If you are bonded, who is your guarantor and what is his/her occupation?

Name of Guarantor	Occupation

13. In your area of operation, what is the level of tax evasion?

High [ ] Very high [ ] Low [ ] Very low [ ]

14. In your view, what accounts for this level of tax evasion?

Lack of public education [ ]

Tax payers do no benefit from district assembly projects [ ]

Other(s) specify

.....

15. Hoe often do you submit revenues collected to the cashier or to the bank?

Daily[ ] Weekly[ ] Monthly[ ] Other (specify)……...

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