

**THE IMPLEMENTATION CHALLENGES OF COMPOSITE BUDGETING IN
DECENTRALISED DEVELOPMENT PLANNING IN GHANA:
*A CASE STUDY OF SELECTED DISTRICTS.***

BY

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Department of Planning



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CERTIFICATION

I , Nartey David Tetey, hereby declare that this submission is my own work towards the Master of Science Degree in Development Policy and Planning and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the University, except where due acknowledgment has been made in the text.

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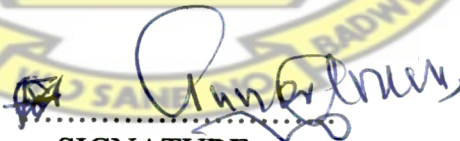
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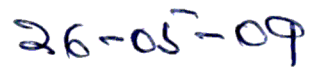
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ABSTRACT

Many developing countries continue to suffer from unsatisfactory and often dysfunctional governance systems that result in weak delivery of vital public services. Poor budgetary systems lead to unwelcome outcomes for access to public services by the poor and other disadvantaged members of the society such as women, children and minorities especially at the local level. This realization has led several African countries to formulate measures, adopt methodologies, set up new machineries or embark upon institutional reforms aimed at building or improving the technical, managerial and administrative capacity of local governments.

Composite budgeting is expected to be an instrument for integrating the budgets of the district assemblies and that of the decentralized departments and organizations into a single budget which would be placed under the control and supervision of the district assemblies. This would ensure the transfer of adequate financial resources and budget authority from Central Government to local governments with sufficient autonomy to allocate and utilize these resources in the provision of socio-economic services in Ghana. Composite budgeting serves as the vehicle for the transfer of financial resources to Local Government. Composite budgeting provides financial information which is an essential ingredient for accountability and financial control. It is the life blood of budgetary, resource allocation and financial management, and a tool for making policy decisions and using budgetary resources to produce output at least cost.

It was in recognition of this fact that successive training of local government officials on the programme in 2003, 2004 and 2007 were undertaken to implement the programme. In spite of this, the implementation of composite budgeting which is supposed to be the vehicle for the implementation of fiscal decentralization has not taken off and District Assemblies continue to indulge in line-item and incremental budgeting. This study aims at establishing the understanding of the prospects and implementation challenges of composite budgeting in Ghana.

The study adopted a combination of the case study and comparative study approaches.

The purposive random sampling technique was applied in the selection of districts for the study. Using the Likert scale, and other qualitative research tools, it was found that, the implementation challenges of composite budgeting are lack of institutional capacities as result of the combination of attitudinal, institutional and operational difficulties in the local government settings that need to be addressed. The implementation challenges including lack of commitment, lack of involvement and participation, lack of data, poor communication and coordination, and lack of proper definition of roles of officers in the districts should be addressed with seriousness.

To overcome these challenges, it is recommended that the human and the logistical capacity of the District Planning and Coordinating Units (DPCUs) are built to provide the necessary technical/professional expertise that is required for the day to day administration of the District Assemblies.

Local officials should also inculcate modern management attitudes, be innovative and strategic in running local government business in this changing competitive times, as the role of local governments gradually changes from mere tax collection to development management. A well trained and motivated workforce is necessary for the successful implementation of composite budgeting which will lead to fiscal decentralization in Ghana.

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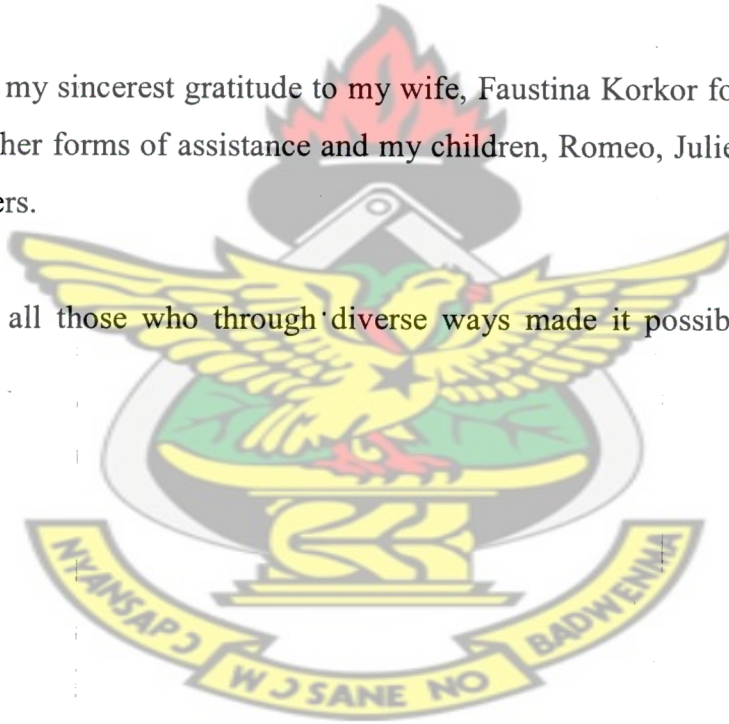


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ABBREVIATIONS AND ACRONYMS

DA	District Assembly
DAs	District Assemblies
DACF	District Assembly Common Fund
DBA	District Budget Analyst
DCD	District Coordinating Director
DCE	District Chief Executive
DFID	Department For International Development
DFO	District Finance Officer
DPCU	District Planning Coordinating Unit
DPLG	Department of Provincial and Local Government
DPO	District Planning Officer
ECA	Economic Commission for Africa
GNI	Gross National Income
IDPs	Integrated Development Plans
M&E	Monitoring and Evaluation
MMDA	Metropolitan, Municipal, District Assembly
MMDAs	Metropolitan, Municipal, District Assemblies
MSA	Municipal Structures/Systems Act
MTDP	Medium Term Development Plan
MTDPs	Medium Term Development Plans
MTEF	Medium Term Expenditure Framework
NDPC	National Development Planning Commission
PUFMARP	Public Finance Management Reform Programme
RCC	Regional Coordinating Council
TVA	Tennessee Valley Authority

CHAPTER ONE

COMPOSITE BUDGETING AND DECENTRALIZED PLANNING IN GHANA: ISSUES AND CHALLENGES

1.1 INTRODUCTION

The need to adopt a concept and methodology of budgeting that will reflect a decentralized and integrated development planning at the district level has long been recognized in Ghana (Kokor, 1998). This is because many developing countries continue to suffer from unsatisfactory and often dysfunctional governance systems that include rent-seeking and malfeasance, inappropriate allocation of resources, inefficient revenue systems, duplication, and waste of resources resulting in weak delivery of vital public services. Such poor budgetary systems lead to unwelcome outcomes for access to public services by the poor and other disadvantaged members of the society such as women, children and minorities especially at the local level. In dealing with these concerns, developing countries are continuously striving to learn lessons from practices around the world to achieve a better understanding of what works and what does not in improving public sector governance especially with respect to confronting corruption and making services work for poor people (Anwar, 2007).

Composite budgeting is expected to be an instrument for integrating the budgets of the district assemblies and that of the decentralized departments and organizations into a single budget which would be placed under the control and supervision of the district assemblies (Kokor, 1998). This would ensure the transfer of adequate financial resources and budget authority from Central Government to local governments with sufficient autonomy to allocate and utilize these resources in the provision of socio-economic services in Ghana.

Composite budgeting is an important tool for achieving fiscal decentralization which is one of the outstanding issues on the decentralization agenda of the Government of Ghana.

Fiscal decentralization is also one of the components of the Public Financial Management Reform Programme (PUFMARP).

Composite Budget derives its authority from Act 462 Section 92 which states that; “The budget for a District shall include the aggregate revenue and expenditure of all departments under the District Assembly and the District Coordinating Directorate, including the annual development plans and programmes of the departments and the organizations under the Assembly”.

Ghana at independence inherited a highly centralized and vertically controlled system of public administration, with Ministries, Departments and Agencies (MDAs) organized as territorial hierarchies- as pyramids with their apexes in Accra and the subordinate levels (branches of departments) in the regions and districts (PUFMARP News, 1999).

There was a sharp distinction between central and local government bodies at the district level, which phenomenon came to be called “Dual Hierarchy Model of Administration”. As a result of the limitations associated with the centralized system, a number of half-hearted and fruitless attempts were made to decentralize the public administration system. By 1982, it became evident that the centralized public administration system could not be the vehicle to be relied upon for realization of the political and development philosophy and objective of “people’s participation in decision-making that affect their lives”.

Policy makers are increasingly looking for evidence to support decisions and to evaluate the impact of resources utilized. Monitoring the performance of Composite Budgeting and its institutions will help to increase its effectiveness, provide increased accountability and transparency in how public monies are used, inform the budgetary process and the allocation of public resources, thus improving its effectiveness to promote welfare and, consequently, reduce poverty and increase the equality of opportunities. In particular, government seeks to use the results obtained through the Monitoring and Evaluation (M&E) system to improve resource allocation, assist in the formulation of the National Development Plans, and provide information for debate on decentralization policies.

The study seeks to take a second look at the entire policy structures and processes as against its intended objectives to identify discrepancies and their causes with focus of the direction and content of local financial management using four selected districts from Greater Accra, Eastern, Ashanti and Brong Ahafo regions as case study.

1.2 PROBLEM STATEMENT

The focus and content of local financial management practices of local government units of government in developing countries have become a major national and international concern. This is due to the increasing service delivery role which the local bodies are expected to play at the level of locality. This role demands local authorities with the ability and incentives to efficiently generate and effectively utilize financial resources required to meet the costs associated (Kokor, 1991). The demand for most of the services and facilities such as education, health, water and roads, which local bodies are expected to provide tends to be elastic with respect to growth of the population.

It is to be expected, therefore, that pressures on the financial resources of local units have continued to increase. As a result the demand is not being met well as it must be. The results are obvious; there exist serious deficits in services availability and despair of existing ones. In some instances this has led to direct action by the local communities to provide crucial services needed for their livelihood activities. This intervention, of course, affects the willingness by the communities to pay taxes and levies to their local authorities and the ability of the latter to assure tax payment compliance.

There is no doubt also, that the decentralization policy in Ghana has transferred significant functions and powers to the local governments, and introduced structural changes to the roles and responsibilities of the various levels of government. The policy has a lot of implications for the public administration, public financial management and resource allocation. The decentralization of political, fiscal and administrative responsibilities to local governments leads to a set of fundamental questions: do local governments have the capacity to support and manage decentralized functions? Do local

governments have the capacity to deliver local public services? Can local government manage their fiscal responsibilities?

In 2003, three district assemblies were selected and trained in composite budgeting. In 2004, twenty five (25) districts including the first three districts were selected and trained. Between 5th February and 30th March 2007, the country was zoned into three and the district assembly core staff involving the District Coordinating Directors, District Budget Officers, District Planning Officers, District Finance Officers and one representative from Education, Health or Agriculture were trained in composite budgeting. In spite of all these developments composite budgeting has not taken off and district assemblies continue to embark on line budgeting for their revenue and expenditure with no sign of integration with the departments.

There was an erroneous impression that composite budgeting was being implemented in some of the piloting districts in the country. It was also believed that composite budgeting was the main instrument for achieving fiscal decentralization in Ghana.

1.3 RESEARCH QUESTIONS

The continuous expressions of concern of stakeholders on the need to review the composite budgeting policy in Ghana and the delay of the programme to take off seem to suggest the evolvement of some ineffectiveness and inadequacies or implementation challenges of the policy to be addressed. Some questions that need to be asked therefore are:

What was the focus and content/direction of local financial management?

What were the key components/structures of composite budgeting process?

How have the implementation processes been since 2003 at the district level?

What were the policy discrepancies that have hindered the achievement of the policy outcomes of the piloting districts?

Could these challenges be attributable to lack of institutional capacity?

Is composite budgeting a necessary tool for achieving fiscal decentralization in Ghana?

1.4 OBJECTIVES

The overall aim of this study is to examine the implementation challenges of composite budgeting in a decentralized development planning system in Ghana since 2003 and make recommendations for consideration. The specific objectives of this study are:

- To analyze the existing financial policies and arrangements at the District Assembly level;
- To examine the composite budgeting processes, prospects and advantages;
- To examine the implementation challenges of composite budgeting in Ghana since 2003; and
- To make policy recommendations for consideration.

1.5 SCOPE OF THE RESEARCH

This study aims at examining and analyzing the financial management processes and establishing the understanding of the prospects and implementation challenges of composite budgeting, the chief instrument of the execution of fiscal decentralization from 2003 to 2007 in Ghana and its implication for improving the effectiveness or otherwise of local governance. For the purpose of this study, implementation challenges are considered to be factors, internal or external, militating against the preparation and implementation of Composite Budgeting in four District Assemblies in Ghana.

Data were compiled from the Ministry of Local Government, Rural Development and Environment, and the Ministry of Finance and Economic Planning. For the purposes of comparing the differences and similarities of the implementation challenges of composite budgeting four districts in Ghana, namely; Dangme East in the Greater Accra Region, Akwapim North in the Eastern Region, Asante Akim South in Ashanti Region and Berekum in the Brong Ahafo Region have been selected. The heads of the decentralized departments of the selected District Assemblies particularly, members of the District Planning Coordinating Unit (DPCU) were interviewed.

In Ghana, District Assemblies constitute the main territorial, political, administrative and planning authorities at the district level. Each district assembly has under its supervision and control the units and departments responsible for organizing and directing the technical implementation of the development planning activities of the district assemblies.

The selection of Dangme East, Akwapim North, Asante Akim South and Berekum is based on the fact that they were among the earlier districts created with the full complement of the decentralized departments. They have a lot of land properties and very high level of administrative and economic activities for the mobilization of local revenue for development. This was because the structures, processes, responsibilities, and resources as well as the locations of these districts made it possible for these districts to be selected for the piloting and preparation of composite budgeting in 2003 and 2004.

1.6 JUSTIFICATION

The need for Monitoring and Evaluating (M&E) the impact of government policies through the implementation of programmes and projects has become critical as Ghana searches for ways to maximize the use of its limited resources. The steady growth in the number, variety, complexity and social importance of policy issues confronting governments is making increasing intellectual demands on public officials and their staff.

As such, policy makers are increasingly looking for evidence to support decisions and to evaluate the impact of resources utilized. Assessing the performance of public programmes and institutions helps increase their effectiveness, provides increased accountability and transparency in how public monies are used, inform the budgetary process and the allocation of public resources, thus improving their effectiveness to improve welfare and, consequently, reduce poverty and increase the equality of opportunities. In particular, governments seek to use the results obtained through the M&E and assessment systems to improve resource allocation, assist in the formulation of the National Development Plans, and provide information for debate on public policies.

This study is relevant for a number of reasons.

- It will help to identify and understand the challenges in the implementation of composite budgeting in Ghana.
- It will also serve as a baseline survey to future studies for comparing the effectiveness of composite budgeting.
- It will also serve as a monitoring and evaluation tool for assessing the impact of decentralization.
- It will help to explore to what extent we can expect that increased fiscal autonomy will improve the efficiency and responsiveness of local governance.

1.7 ORGANISATION OF THE REPORT

The report is presented in five chapters each of which addresses a specific theme within the framework of composite budgeting in a decentralized development planning in Ghana. Chapter one examines the research issues and challenges on composite budgeting and decentralized planning in Ghana in relation to the research problem. Chapter two provides the theory and practice of budgeting and local development planning by defining the concepts that underpin the study and draws national and international issues within the study framework.

Chapter three presents the research approach, methodology and analytical framework for the study. Chapter four presents the discussions and analysis of the data collected by examining and analyzing the financial management processes at the local level, the composite budgeting process, the prospects, and implementation challenges of Composite Budgeting. The key findings, recommendations and their implication for development planning are presented in chapter five, including the way forward and conclusion.

CHAPTER TWO

BUDGETING AND LOCAL DEVELOPMENT PLANNING: THEORY AND PRACTICE

2.1 INTRODUCTION

This chapter presents the theory and practice of budgeting and local development planning. It also defines and discusses the concepts that underpin the study and draws on national and international issues within the framework of composite budgeting and decentralized development planning. Case studies of decentralization and local/participatory budgeting are also presented in this chapter. Some of the concepts that underpin the study and on which discussions are offered are: development, decentralization, planning, and budgeting.

2.2 DEFINITION OF KEY CONCEPTS

2.2.1. Concept of Development

Attempts have been made to define development even though it has different meanings to different groups of people, scholars, politicians and institutions. What one may see or regard as development may not be seen as development by the other.

A number of people have described development in terms of distributive justice, that is, satisfying basic needs, or as economic growth. Others have looked at development as modernization, where modernization is interpreted as the process of social change. Yet others see development as a process of socio-economic transformation.

Traditionally, development was measured in economic terms to mean the capacity of a national economy whose initial economic condition has been more or less static for a long time to generate and sustain an annual increase in its Gross National Income (GNI) at rates of 5% to 7% or more. A common alternative economic index of development has been the use of rates of growth of income per capita to take into account the ability of a nation to expand its output at a rate faster than the growth rate of its population (Todaro and Smith, 2006).

By the mid 1960, people were beginning to question the economic concept of development because they saw that this concept of development measured primarily according to economic criteria has many problems which are basically social and political. These problems include the breakdown of traditional, social and political institutions which in turn result in increases in crime, deprivation and dependency, health problems, increasing inequalities between individuals, groups and regions. Other problems include those related to the physical environment like pollution of land, water bodies, atmosphere and the depletion or exhaustion of natural resources.

These problems associated with economic problems of development led to the formulation of a new concept of development which is concerned with the welfare of mankind. This new concept of development is characterized by relatively less concern with the quantity of production of output, material need or monetary gain and more concerned with the general quality of human life and the quality of the natural environment. The earlier indicators are replaced by alternative social indicators like life expectancy, standard of health or literacy, access to various social services, freedom of speech, and degree of popular participation of government or decision making and environmental conservation. This new concept, seen as man-centred, concerns itself with the reduction of inequality between individuals, social groups, regions, urban and rural areas and the distribution of benefits of development.

2.3. MEANING AND FORMS OF DECENTRALISATION

2.3.1 Definition of Decentralization

Decentralization can be defined as the transfer of authority or responsibility for decision making, planning, management, or resource allocation from the central government to its field units, district administrative units, local government, regional or functional authorities, semi-autonomous public authorities, parastatal organizations, private entities and non-governmental private voluntary organizations (Rondinelli, Nellis, and Cheema, 1983: Rondinelli and Cheema, 1983).

The United Nations (1962:7) defines decentralization as “the transfer of authority on a geographic basis whether by deconcentration of administrative authority to field units of the same department or level of government, or by the political devolution of authority to local government units, or by delegation to special statutory bodies” . Cheema and Rondinelli (1983:18) define decentralization broadly to mean “the transfer of planning, decision-making, or administrative authority from the central government to its field organizations, local administrative units, semi-autonomous organizations, local governments, or non-governmental organizations”. This definition has introduced a new element to the concept to include the transfer of functions to non-governmental organizations and the private sector.

Decentralization may also be defined as the process whereby authority is restructured between institutions of governance at the central, regional and local levels with powers and functions transferred to the lowest institutional or social level that is capable (or potentially capable) of performing them. This is referred to as the principle of subsidiarity. These powers can be political, administrative or fiscal and relates to the role of, and the relationship between central and sub-national institutions, whether they are public, private or civic.

2.3.2 Forms of Decentralization

The nature and extent to which authority to decide, plan and manage is transferred from the central government to lower level organizations is an indicator of the form of decentralization in practice. The degree or extent of decentralization gives rise to different types or forms. The quantum of powers, functions and/or resources transferred and how they are transferred and to whom differentiate four forms of decentralization – deconcentration, delegation, devolution and privatization are often distinguished in the literature (Rondinelli, 1981:133- 145; Rondinelli 1989; Cheema and Rondinelli, 1983: 18-25; Conyers, 1983:97-109).

i. Deconcentration

Decentralization by deconcentration occurs when the central government redistributes responsibilities for certain functions to its regional branches or field units of the central

administration. Smith (1967) defines it as the delegation of authority to make administrative decisions on behalf of the central administration to public servants working in the field and responsible for government policy within their territories. Deconcentration entails a transfer of administrative authority from the centre to field administrators. This does not involve any real transfer of authority to lower levels of government or to the field administration and it is unlikely to lead to the potential benefits of decentralization.

The decentralization that has occurred in some developing countries with a unitary system of government follows this pattern of deconcentration, to shift the workload of central ministries to the field staff located outside the national capital, without also giving them discretionary power. Fesler (1968) argues that deconcentration may not really be decentralization because it may not provide the opportunity to exercise substantial local discretion in decision making although it may promote a feeling that government is close to the people.

Independent local governments that are legally accountable to local constituents do not exist in a deconcentrated system, and effectiveness of public service delivery system, and local field offices of the central government are simply used to improve the efficiency and effectiveness of public service delivery systems. This is the case in some African and East Asian countries that are experimenting on decentralization

ii. Delegation

Delegation is the transfer of decision making and management authorities for specific public functions to semi-autonomous organizations or parastatals often located outside the regular governmental structure but are accountable and responsible to government. Public corporations and development authorities have been used extensively in Africa and Asia to implement development schemes. This was part of the western public administration theorists' prescription for administrative reform and modernization in the 1960s and 1970s to undercut or bypass the normal government machinery and endow the parastatals with developmental drive, coherence and authority to plan and pursue

economic development (Boodhoo, 1976). Administrative theorists used the Tennessee Valley Authority (TVA) as the implicit model and argued that public corporations or regional development authorities had distinct advantages over regular government agencies in making expeditious decisions free from the bureaucratic red tape and political maneuverings of governments. Public corporations and special development authorities have been used to plan, finance, implement and manage infrastructure projects in Africa such as highways, dams, hydroelectric power facilities, transportation systems, water supply systems, and integrated rural development programmes.

iii. Devolution

Devolution is the transfer of authority for decision – making, finance and management to autonomous units of local government. It includes the transfer of responsibilities for local service provision to local governments, to elect their own officials and have independent authority for revenue and expenditure decisions. In a truly devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions (Rondinelli, 1998) for which they are held accountable. It seeks to create or strengthen independent levels of government through the transfer of functions and authority outside the direct central government. Devolution is the most favoured form of decentralization in the literature because it gives powers to the local people to decide on their own affairs.

Devolution implies that local governments discharge their functions as part of a national political or governmental system and not as dependent units of a central hierarchy. Central government often attempts to make sub national governments subordinate to it in the performance of their functions, and some formal and indirect controls are maintained to accomplish that goal. At times, the central controls are for good reasons especially at the initial stages of the decentralization process, to maintain minimum national standards in service delivery, ensure financial discipline and to assist the decentralized institutions in building capacity for public sector management. Few developing countries have a government system that meets most of the conditions noted earlier. Some national constitutions (for example, Nigeria, India, Brazil, and Mexico) have devolved specific

powers and responsibilities to local government or given them residual powers that are not claimed by other levels of government (Ikeanyionwu, 2001).

iv. Privatization

This is the transfer of some planning and administrative responsibility, or of public functions from government to voluntary, private and non-governmental organizations. Government may transfer to membership organizations the right to license, regulate or supervise their members in performing functions that were previously controlled by it. In some cases, government may decentralize by shifting responsibility for producing and providing goods and services to the private sector. More often government transfers responsibilities to or shares them with organizations that represent various interests in the society such as co-operative societies, credit associations, town or village development committees, women and youth associations, church and community – based organizations. This form of decentralization emphasizes broad based participation of the people in the decision making process instead of the decisions made primarily by government legislation or administrative regulation. It can also take the form of deregulation or divestiture whereby government opens up the economy to more private sector participation.

2.4 CONCEPT OF PLANNING

It is an undeniable fact that human society is dynamic, changing irreversibly through time with actions taken today affecting generations yet unborn. It is therefore important that careful decisions are taken about the general directions in which change should occur, and this can be brought about through planning. Thus planning is seen both as a tool for resource allocation and a procedural method for decision-making about the development of the economy, irrespective of the scale of planning. As a procedural method, planning can be seen as the process by which decisions about the future are made and implemented by translating them into policies, programmes and projects, with the expressed objective of improving the well being of the people. As a tool for resource allocation, planning can be seen as the means for organizing and managing resources for development, embodying growth in opportunities and qualitative change in the lives of the people.

i. The Planning Process

Planning as a process refers to the course of action, the operational procedure, or the logical, step by step approach required to be followed in planning for development. Planning can be described as a system, that is, a set of objects with attributes and having relationships between the objects and their attributes. Thus the planning process must attempt to provide a linkage for the planner, the society, other professions, politics, and science and technology. The planning process is operationalised on the basis of the problem-solving model and different people may suggest different forms and stages.

a. Stage 1- Identification of Problems, Potentials, Constraints.

Information required as basis for plan preparation must be collected in the form of primary and secondary data. The data collected must be carefully examined to determine their adequacy, accuracy, appropriateness and consistency of responses as a basis for analysis.

b. Stage 2- Formulation of Goals/Objectives and Derivation of Development Themes

Goal formulation and the derivation of objectives are the point of intervention in the planning process. Together, they constitute the aims of the planning process. Goals are the long-term aims while the objectives represent the short-term quantifiable and measurable aims, which must be achieved in order to reach the goals.

c. Stage 3-Generation of Alternative Development Paths

A development path could be described as a future state or a course of action that seeks to achieve set goals and objectives and, hence, the eventual elimination of a development problem. There can be no meaningful development without a well-defined path for take-off. This generation of development paths could be done through scenario writing, and a preferred option selected.

d. Stage 4-Preparation of a Development Framework

A development framework represents an overall scope within which the development of the target area will take place. It represents the standardization element of the planning process. It is prepared against a background of the documented development problems, development potentials, operational goals, and the chosen scenario that anticipates the desirable state of target area at the end of the planning period.

e. Stage 5-Plan Preparation

Following the preparation of the development framework indicating the scope which development efforts are to be concentrated, and also the expected characteristics of the social, economic, spatial and political sectors of the economy, details of the development plan must now be provided. The plan must specify the long term, medium term, and short term aspects each indicating policy objectives and orientation, programmes and projects, and implementation strategies.

f. Stage 6-Plan Implementation, Monitoring and Evaluation

This last stage presents a mechanism by which the planning process can be restructured to accommodate changing trends in the plans. This is the monitoring and evaluation stage. Monitoring may be defined as the continuous assessment of the functioning of a project in the context of design expectations. This involves the collection and collation on a continuous basis of information concerning the performance and progress of a project, and the reporting and storage of such information. Evaluation, on the other hand, is concerned with the interpretation of monitored data, the measurement of achievements against targets, and the reasons for non-attainment of goals and objectives. This evaluation is a process that attempts to determine as systematically and objectively as possible the relevance, effectiveness and impact of activities in the light of their stated objectives.

2.4.1 Decentralized Planning System in Ghana

The new planning system in Ghana provides for a decentralized planning approach to local and regional development. The approach sees central and local government decision

makers as equal partners, coordinating their activities and involves a differentiated analysis of each district's potentials, problems and constraints in order to stimulate economic activity, thus integrating the district into the overall development process of the nation.

This paradigm has arisen as a result of two main limitations in past development effort. First, there is the realization among national and local policy makers that whatever national economic strategies are pursued to stimulate the economy, no community can depend on these measures alone. Secondly, the trickle-down effects from the urban centres have failed to adequately improve the rural areas of Ghana. The output of the development process is envisaged in such packages as increased production, community development, meeting of basic needs and participation in the rural economy. The net effect is to generate local employment and to improve the quality of life of the local people, thereby reducing the drift away from rural regions to the urban centres. The institutional structure, roles, functions and procedures by which the planning system operates are spelt out in the National Development Planning System Act 1994, Act 480 and the Local Government Act 1993, Act 462, designating the District Assemblies as the planning authority, charged with the overall development of the district. They are to involve the local people in the formulation of the District Development Plan.

2.5 CONCEPT OF BUDGETING

A budget may be defined as a detailed plan, expressed in quantitative terms, that specifies how an organization will acquire and use resources during a particular period of time. The budget therefore is the expression, in monetary terms, of the detailed plan of an organization in relation to its revenues and expenditures for the financial year. For the purpose of local government, a budget is the financial expression of a plan of a local government to effect a qualitative and quantitative change in the living conditions of the people in its area of jurisdiction.

In the context of development planning, a budget may be defined as a plan

- a. quantified in monetary terms ,

- an important instrument for plan implementation as it involves the allocation and utilizing financial resources to execute programmes and projects, financial plan, and as a strategy for the achievement of the plan. It is also a means of fostering accountability and control over the use of public financial resources. It directs the flow of funds to various departments imposed by the budget controls the use of funds. In terms of input to output, it is a tool for performance assessment. The effectiveness of the budget is determined by the extent to which they operate within the budget, as performance will suffer if the budget is not followed. Programmes and projects are executed indiscriminately without regard to the budget (Keanyionwu, 2000a).

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departments under the District Assembly and the District Coordinating Directorate, including the annual development plans and programmes of the departments and the organizations under the Assembly”.

Composite budgeting in this study is the practice of putting together the budgets of the decentralized departments and the central administration to determine or calculate the overall budget for the district as a whole with the view to minimizing duplication and ensuring cost effectiveness, efficiency and economy so as to deliver set targets and goals. A composite Budget is an aggregation of a projected revenue and expenditure of the Metropolitan, Municipal, and District Assemblies (MMDAs) including decentralized departments. This would ensure the transfer of adequate financial resources and budget authority from Central Government to local governments with sufficient autonomy to allocate and utilize these resources in the provision of socio-economic services in Ghana (Kokor, 1998).

2.5.2 Conditions for Installation of Composite Budget

To install and operate a composite budgeting system that is also development oriented the following minimum requirements must be met (Kokor, 1998):

i. Legal and Administrative Framework

The legal framework necessary for the installation of composite budget has been provided by section 92 (3) of the Local Government Act, 1993, Act 462. Also section 37 of Act 462 and sections 14 (3) and 30 of the Civil Service Law, 1993 (PNDCL 327) provide the legal requirements supporting the integration of the relevant departments operating within the districts into the District Assembly structure so that the district bureaucracy can implement the various aspects of decentralized administration, development planning and budgets.

Politically, there is already a shift in authority vertically from the decentralized Departments to District Assemblies and horizontally from Central Government Staff performing executive functions at the district level to District Assembly members

performing legislative functions. In a way, therefore, local legislative and executive functions are integrated at the top within District Assemblies.

ii. Organizational Structure and Functions of District Assemblies

The organizational structure of District Assemblies has been established and the functions of the various components of the District Assembly system including the sectoral departments have been specified by law. Each department has a specific functional area to operate within the totality of district governance.

iii. Integrated and Participatory District Development Planning System

The Local Government Act 1993 (Act 462) designates each District Assembly as the District Planning Authority within the limits of its boundary. Section 46 of the Act and Section 2 of the National Development Planning System Act, 1994 (Act 480) give the detailed planning functions of a District Planning Authority. Act 480 also sets out the processes of planning with a bottom-up approach and emphasizes the democratic element of public consultation and participation as integral part of the planning process. Sub-district structures to foster the full participation of the local people and communities at sub-metropolitan town, area, urban, zonal and unit committee levels in villages were also established in 1994 by the Legislative Instrument 1589. This is to ensure that development initiatives rising from below reach and are integrated and coordinated at the district level. To institutionalize and entrench the above measures the National Development Planning Commission has in August 1995 prepared planning guidelines which also prescribe a format for the preparation of district development plans.

iv. Establishment of Composite Budget Structure and Classification System

A Composite Budget structure would be established using as basis the structured outputs of the planning process i.e. the results expected and the functional areas where these are expected. These areas should conform substantially with the organizational structure of the District Assembly. The budget would also be classified in a way that reflects the activities to be carried out as either direct development or public administration in both

the capital and recurrent account. But, this is not the way public accounting system is structured in Ghana.

This means that there is a need to review Government accounting system to differentiate expenditure on development from expenditure on administration. This need has to be fulfilled in order to support the purpose of composite budgeting at the district level. The purpose of composite budgeting should be to shift from a budgeting system which focuses only on items and agencies to be financed to the range of objectives which are expected to be achieved and the projects and activities which constitute the inputs necessary to achieve these objectives and which form the basis for the proposed expenditure.

2.5.3 The Medium Term Expenditure Framework (MTEF) Process

The MTEF is a three-year, integrated, broad based, performance budgeting that contains both recurrent and capital expenditures funded by both Government of Ghana (GOG) and donors. It is introduced to address the weaknesses of the budgeting system such as the use of incremental budgeting, arbitrary cuts in estimates, separate recurrent and development budgets, and lack of transparency on the basis of budgetary allocations.

The MTEF budget process begins with the development of a three-year rolling strategic plan for the District Assembly. Strategic planning is used to establish the mission for the DA's existence, set common goals, values and objectives that it will achieve over a defined period. The mission is the broad definition of why the MMDA exists or its overall mandate. The mission statement does not only set why the MMDA exists but also what business it is in and who are its customers or target beneficiaries. The mission statement may be derived from legislation or charters that establish each of the MMDA and is usually constant, changing very little over time.

There is the need for environmental scanning by using the SWOT analysis to find out the strengths, weaknesses, opportunities, and threats of the MMDA. The key issues from the

SWOT analysis must be addressed in the objectives, which are the specific statements of what MMDA would do or achieve that contributes to its overall mission.

The objectives are then broken down into specific outputs which guide the planning and execution of activities which also form the basis for the establishment of resources or inputs that will be required to achieve the objectives.

The outputs are the goods and services to be produced in a given period in order to achieve the stated objectives. The outputs establish the performance of the MMDA in terms of the measurable deliverables by whom and when, in other words, the output must be SMART (Specific, Measurable, Achievable, Realistic, and Time bound). Outputs are under the direct control of implementing agencies, and these outputs can be directly linked to the inputs that are required to produce the outputs.

The activities are what are required to produce the outputs. In some cases there may be the need to identify a lower level of activity which can be referred to as task. The resources required to carry out the activities which may take the form of financial, human or technical resource are the inputs.

2.6 DECENTRALIZATION AS A DEVELOPMENT PARADIGM

Development philosophies, theories and strategies evolve over time and change with time with new strategies evolving as old ones fail to achieve the desired results in specific contexts. In the context of developing countries, it has become clear that the changes in political and administrative organization influence the pace and direction of social and economic progress, and thus affect the development process.

As a consequence of much dissatisfaction with the results of centralized economic planning, reformers have turned to decentralization to break the grip of central government and induce broader participation in democratic governance. Being closer to the people, it is claimed; local authorities can more easily identify people's needs, and thus supply the appropriate form and level of public services (Oates, 1972). Fiscal

decentralization – the devolution of taxing and spending powers to lower levels of government - has become an important theme of governance in many developing countries in recent years.

By the 1970s the basic premises of development theory came into question (the crisis of theory), and the directions and priorities of development policy started to shift, as the concept of development was broadened beyond increases in the gross national product and economic growth. There was an increasing recognition that beyond growth maximization, development requires a basic transformation in social, economic and political structures that enables the poor to help themselves to increase their productivity and incomes (Cheema and Rondinelli, 1983).

New development strategies therefore began to emerge in developing countries that give more attention to providing for the basic needs of the poor so that they could become more productive participants in the development process and to build more self-reliant domestic economies. This means the integration of equity concerns into the growth models, which were not apparent in the previous development strategies, with new implications for the organization of development planning and administration. The new approaches require wider participation in the economic, social and political processes through which national wealth is created and distributed, which implies some policy shifts from top-down central planning to bottom-up, broad based participatory systems.

One of the recent approaches to solving the problems of under- development in the developing countries is the decentralization of administrative, fiscal and decision making powers to lower levels of government especially in the planning, implementation and management of public functions. It is an attempt to overcome the problems of central planning and control of development so as to promote and facilitate the courses of action that would be planned and carried out by the people who are the object, the means and beneficiaries of development.

Local government development plans and budgets are implemented for the benefit of the people. Budget performance is measured by the facilities and opportunities it provides for the people to improve their quality of life. These include good roads, access to safe water, job creation , food supply , basic education, health care, sanitation, electricity, and all other good things of life that promote human dignity and societal happiness (Ikeanyionwu, 2000a).

2.6.1. Implication of constrained authority in Africa

Reviews of local authority across Southern and Eastern Africa by the Municipal Development Partnership (MDP) indicate that localities generally experience the same difficulties in coping with their responsibilities. Prominent among these difficulties are dependency on central government allocations because of inadequate local tax resources and authority, failures in administrative capacity and lack of autonomy and thus inability to effectively budget and plan (Mosha and Mabaila, 2003). The inadequacy of financing systems is common across, less-developed nations and is a function of constrained resource bases and failures to provide appropriate levels of decentralized authority.

MDP finds that the primary difficulties for municipal governments in Botswana, for example, include inadequate levels of legislative and policy autonomy, insufficient own-source financial resources and poor financial administration, and capacity constraints regarding, social service provision and infrastructure.

In Gaborone, Botswana, the city councils prepare annual budget estimates but cannot according to MDP, implement proper budgeting and planning processes because of uncertainty about central government resource transfer and mandated expenditures. The absence of local legislative and administrative authority makes meaningful long-term planning and priority setting impossible. Personnel and capacity issues reinforce these problems. "Personnel for the council are employed by a central agency... And only limited powers have been decentralized to the council" (Mosha and Mabaila, 2003:2). MDP recommends that the city councils be given greater autonomy in planning, budgeting, and funds administration. It also recommends that fiscal decentralization,

reforms in personnel employment structure, and revisions to the statutory authority of local governments be accelerated.

Rural district councils in Zimbabwe face similar challenges. The country's five-year (1996-2001) Rural District Council Capacity Building Programme found most problems typically experienced by the 57 rural districts involved deficiencies in both human and financial resources. The programme's focus was improved planning, financial management, revenue generation, community participation, social and economic infrastructure, public transparency and accountability and public-private partnership. An evaluation of the programme found "outstanding progress...in the areas of strategic planning, monitoring and evaluations systems staff restructuring" (Musekiwa 2002:12-13). It concluded that capacity support can aid effective performance, that local authorities should be challenged to perform through provision of a legal mandate and resources to implement projects that capacity building by doing "promotes local democratic governance" and downward accountability" that empowering local institutions requires sophisticated guidance from the centre, that capacity building can spur decentralization and that coordination across programmes and jurisdictions is critical (Musekiwa 2002:12-13).

i. The importance of local autonomy.

These issues and recommendations mirror those found throughout less-developed and traditional settings and highlight the importance of the intergovernmental dimension for local governments. Reforms of 1990s have established local jurisdictions with significant discretion to legislate, collect revenue and budget. However, levels of actual local autonomy vary significantly. For example, in Namibia, municipalities are fiscally autonomous, town councils are partially autonomous, and villages are fully dependent on the central government. Local authorities in Botswana are budgetary dependent on the central government for both recurrent and development spending and its allocation.

Dependency is a major impediment reinforcing vertical accountability at the expense of horizontal accountability into local citizens. Local capacity building for participatory budgeting is essential (Wamwangi and Kundishora , 2003).

2.7 CASE STUDIES ON THE PRACTICE OF DECENTRALIZATION

2.7.1 Decentralization in Uganda

Uganda's decentralization process evolved from a system of centralization and authoritarian military rule introduced immediately after independence. The system is ranked amongst the most advanced models in Africa. Uganda has two levels of local government (district and subcounty in the case of rural areas). Below this are the parish and the village. At present there is no regional level, although one is currently being created.

Local governments have been entrusted with the responsibility to implement all local development functions (including agriculture, health, education, roads, and water). They have the statutory responsibilities for administering the decentralized functions which include powers to recruit and fire staff, to plan, and to develop budgets for administering the decentralized functions including aspects of community participation. Local governments have powers to determine user fees and to charge taxes. Local governments receive matching financial resources from national which are conditional, unconditional or redistributive in nature. Local governments are also responsible for preparing the necessary legislation (by-laws) that relates to the undertaking of the decentralized functions.

Districts play a more strategic role, employ all local government staff, and support lower level local governments. They have well qualified staff; including staff with PhDs. Subcounties are headed by subcounty chiefs, all with degrees, and field staff are seconded to them. Both levels produce development plans. A Harmonized Participatory Planning Guide has been developed, based on the community-based planning methodology (www.khanya-aicdd.org) which promotes participatory planning at parish level, informed by villages, and which in turn informs subcounty development plans.

While many functions have been handed to local governments, their powers are in practice circumscribed by their dependence on central government for funds, with approximately 90% of funds being provided by Central Government grants, the majority of which are conditional grants. This means Central Government exerts a considerable degree of control over local governments.

Uganda has been very successful at decentralizing considerable administrative functions to local governments, but less so in terms of fiscal decentralization. In the process many technical innovations have been introduced which provide interesting mechanisms that other countries can learn from. One example is their use of a “carrot and stick” approach to motivate local governments to improve their performance, whereby if performance exceeds certain levels higher grant funding kicks in. However, they have been less successful at promoting active participation of citizens, and promoting a decentralization process built on mobilization of communities at local level, where decentralization is demanded from below, rather than just certain powers being released from above. In this sense Uganda contrasts with examples such as Mali, which have successfully mobilized communities to be the drivers for decentralization, but have been less successful at transferring functions and resources to lower levels.

i .Participatory Local Budgeting and Planning in Uganda

Uganda’s local Government Act requires that budget conferences be held and be open to the public at each level of local council from village to ward, division, municipality, and district. The municipal and division conferences result in spending proposals for the ensuring fiscal year and a three-year rolling plan. At the village level, all adults are councilors. Therefore, the annual budget conference is an annual meeting of the citizenry. The executive committee members of each village attend ward meetings. The division budget conference includes the chairpersons of village and wards, division councilors and stakeholders. The municipal and district conferences include the leadership of local stakeholders, business groups, nongovernmental organizations, and community organizations. A review of the process in seven Ugandan municipalities showed that the

actual level of representation and participation varies across jurisdictions. Some villages fail to conduct their annual meeting and in others, representation is less than comprehensive.

Conferences are intended to solicit the views of stakeholders and individuals. Actual participation is quite limited, however. Discussions at the division, municipal, and district levels are “mostly driven by technocrats, conducted in English and couched in formal, budget language, which may not be conducive for the participation of ordinary citizens, let alone the poor. Better educated people, also often exert disproportionate influence” (DFID, 2002:5).

Nonetheless, the process and undertaking by the Jinja Municipal Council resulted in proposals for inclusion in the municipal budget with others referred to the division level and central government. It also provided a forum for direct accountability through discussion of the achievements and shortcomings of Municipal administration and service delivery. The mayor of Entebbe has also used the municipal conference to conduct budget outreach meetings in each of the city’s 24 villages.

2.7.2. Decentralization in South Africa

South Africa’s current decentralization process began after the arrival of democratic government in 1994. One of the key agreements in the new Constitution was the creation of three spheres of government, national, provincial and local, and it is notable that local government is included in the Constitution. Schedules of specific powers and functions were ascribed to each, with many of these powers and functions shared. In practice the main level of devolution in South Africa has been to provinces, which have widespread functions in relation to local development, including providing services such as agriculture, education, health, social services, and public works. Provinces have considerable autonomy in their spending, although there is a national guideline that 85% of expenditure should be in the key social sectors of education, health and social security.

The Municipal Structures Act and Municipal Systems Act (MSA) define the structures and approaches to developmental local government. There are three forms of local government, Metropolitan, District and Local. The six metropolises are the biggest cities and have a wide range of functions, with districts playing a more strategic role, and local municipalities providing basic services. The current form of local government is recent, with local governments only created in 2000.

Local government provides electricity, water, sanitation, municipal roads, local tourism, and a few other functions, and for example their role in health is currently interpreted as being environmental health. They have far more limited powers than in Uganda, although under the MSA they are responsible for promoting socio-economic development in the municipal area. They do have an integrating function and are required to produce five year Integrated Development Plans (IDPs), which directly inform the budget, and are updated on an annual basis. There is much competition between district and local municipalities, and role differentiation is not clear in practice, although districts should play a more integrating role. There is very limited integration of activities with the key provincial government departments which in practice provide many of the services. Inasmuch as services are being considered for decentralization to local governments, it is primarily to districts. Unlike in Uganda, local governments finance around 70% of their budgets through fees and charges, notably from electricity, water, sanitation and rates. Below local municipalities the only structure is a ward, with a population of 5-15000 people. One of the notable features of the legislation in South Africa is its very strong emphasis on community participation in planning and in monitoring the performance of local government.

South Africa's approach is quite different from that of Uganda, as the main focus of devolution is on provinces, although this is currently under review. However, it shares with Uganda a technocratic approach, with extensive work on systems, but less emphasis on mobilization at local level to support decentralization. It also lacks lower level structures which can be used effectively for participatory processes. The roles of local government are increasing, although there are major concerns about limited capacity.

i. Local Budgeting in South Africa

South Africa has the most sophisticated and formalized approach to intergovernmental relations in Africa. Provisions require local governments to encourage the involvement and consultation of communities and community organizations in municipal budget decision making. Local governments must establish ward committees to promote public participation in municipal governance. These committees assist the democratically elected ward representative to the city council in reflecting community interests. Their charge includes input into preparation of the municipal budget and service provision; implementation and review of systems of performance management; performance monitoring; information dissemination; and preparation, implementation, and review of Integrated Development Planning (IDP) (DPLG, 2000a). The IDP process is also the basis for the coordination of cooperative governance between spheres” at the micro terrains of service delivery” (PAIR Institute of South Africa 2002: 11).

The IDP is a strategic plan incorporating both short-term and medium-term objectives. It is intended to serve as a guide to local government budgeting service delivery, and management and it supersedes all other municipal plans. Provinces assist in plan creation, monitor plan content and local performance relevant to required and desired actions, and ensure that regional and national priorities are reflected in plan development and performance. The formal plan development and approval process ensures coordination between spheres and seeks to ensure policy and budgetary conformity across spheres.

In South Africa, the national government can intervene if provinces do not fulfill an executive obligation. Intervention is focused on interregional uniformity, norms, standards, and national policy. The Intergovernmental Fiscal Relations Act of 1997 guides intergovernmental fiscal relations. It provides a consultation process and regulatory budgeting and it established the Budget Council and Budget Forum. IDP is the primary vehicle for coordinating; spending in any portion of the republic is “traceable in municipal integrated planning framework” (PAIR Institute of South Africa 2002: 13). The Division of Revenue Act 1998 also established a system for monitoring spending and

allocation of resources across spheres. This integration and cooperation increases uniformity in policy, while limiting local discretion in areas of broad priority.

2.7.3 Decentralization in Ghana

The strategies for implementing the decentralization policy have focused on five areas:

Political decentralization which has involved the establishment and empowerment of local government structures, demarcation of administrative boundaries and the promotion of advocacy and popular participation of the people at various levels of decision making. Political decentralization involved the creation of 170 District Assemblies (2007) and sub-district structures (i.e. urban/zonal/town/area councils and unit committees). These provided a local forum for people to deliberate, legislate and perform activities in support of local development.

The District Assemblies provided a framework for greater local decision-making autonomy in that they acted as a local forum for development agencies, representatives of the people and the technical staff of sector departments for discussing local development issues, the underlying causes and the combined action that was needed in order to deal with them.

Representation is by popular election in the case of 70% of District Assembly members and appointment in the case of the remaining 30% (by the President of the Republic in consultation with chiefs and other interest groups in the district). Socially marginalized groups are included in the process by a clause reserving a fixed percentage of appointees for these groups, e.g. 30% should be women. This means that people are represented, empowered and, within the framework of national policy, have control over local level decision-making, policy implementation and development in general.

Decentralization was made pro-poor by removing literacy in English as a qualification for membership of a District Assembly. This was one of the obstacles that kept the poor out of local governance. Money was one of the other obstacles that decentralization sought to

remove: the new requirement was that candidates should not be required to pay for standing in local elections, which were supposed to be wholly state-sponsored. Also, elected assembly members ordinarily had to be resident in the locality; this requirement was intended to prevent the urban elite from hijacking local government. As a final point, local elections were made non-partisan, so that candidates were no longer obliged to join an existing political party or set up their own parties.

Administrative decentralization, that would ensure effective decentralization of the machinery of government and the integration of decentralized departments at the Regional and District levels into single administrative units to facilitate co-ordinated development and efficient utilization of resources. A major feature of the policy entails decentralizing the machinery of government by restructuring the ministerial institutions, transferring defined functions and their related powers and resources to the local governments and ensuring an effective and meaningful integration of sectoral programmes, resources and assets into the district assembly system so as to promote co-ordinated development.

It also involves the decentralization of the public bureaucracy by placing 22 departments under the district assemblies to serve as the technical/professional arms of local authorities. The Local Government Act 1993 (Act 462), restructured the 22 departments into 16, 13, and 11 departments of the metropolitan, municipal and districts respectively.

The local Government Service Act 2003 (Act 656) which is intended to bring the employees of the DAs into the public service has been passed but it is yet to be fully and effectively implemented. This limits the assemblies powers to recruit and discipline staff/ personnel at the local level within the framework of the Civil Service Law (PNDCL 327), and other related legislations.

The Local Government Service Act (2003) places all the staff of decentralized sector departments under the umbrella of a single entity, the Local Government Service, which is dedicated solely to supporting local level governance. A number of projects and

programmes (sponsored by GTZ/ KfW, DANIDA/UNDP, Community Based Rural Development Project(CBRDP), UNICEF, etc.) were also performed in support of capacity-building efforts for decentralization.

Fiscal decentralization is the transfer of adequate financial resources from the central government to local governments with sufficient autonomy to allocate these resources in the provision of socio-economic services through composite budgeting. The central government should make adequate or increasing financial and other resources available to the District Assemblies through central grants and also other specialized transfer for the exercise of discretionary power and authority in line with the subsidiarity principle of the 1992 Constitution (the 1992 Constitution of Ghana, Article 240 (2) (c). In this direction, the 1992 Constitution (Article 252) provides for the establishment of a District Assembly Common Funds (DACF), the Act that actually established the DACF in 1994 (Act 455) was passed by Parliament.

Under the decentralization programme, the district assemblies are given autonomy; powers and hand to generate their own funds to enable them perform the functions assigned to them by law. The Sixth schedule of Act 462, spell out the areas from which District Assemblies could generate their own revenues. Apart from these areas; central Government also makes transfers of money to the district assemblies. The transfers include the DACF and the ceded revenue. These represent the transfer of means to local authorities.

Article 252 of the 1992 Constitution enjoins Parliament to annually make provisional allocation of not less than 7.5% (formally 5%) of the total revenues of Ghana to the MMDAs for development. Act 462 also ensures that the DAs do their own planning and budgeting for their own estimates for appropriation. Indeed fiscal decentralization has become the most important feature of the decentralization process because it hinges on all the other parts of the policy.

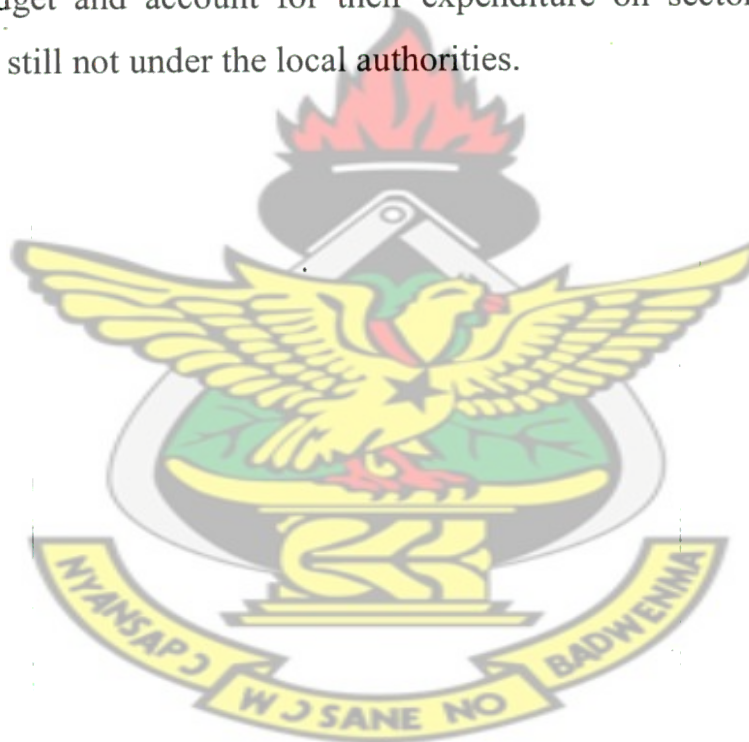
Decentralized management of public-private partnership in investments, provision of services, and economic development programmes of the districts through the creation of an enabling environment promotes the private sector as the engine of growth and development at the local level. By moving government closer to the people, decentralization is expected to result in improved governance which in turn is expected to create an enabling environment that would unleash economic growth and social development within a democratic environment for wider participation of the masses in decision making access to political authority.

Decentralization is regarded as a means of reforming ineffective central administration (frequently driven by donor agencies) through programmes of cutting state expenditures by shedding certain functions and transferring the cost of others to their users.

Kokor (2001) argued that the form of Ghana's decentralization is a multi-channel system including the market (i.e., the private sector and or mixed corporations) not-for-profit organizations and community groups quite apart from its elected and or appointed political bodies and their chief executives, field officers, administrators and managers.

The strategies for implementing decentralization in Ghana have been partially attained in Ghana, with significant progress made in selected areas. In terms of political decentralization, substantial authority has been successfully decentralized to the district

level. However, administrative functions have not yet been fully devolved and MDAs control their own programmes and activities at the district level through their field offices which owe direct allegiance to them. The district composite budgeting system, envisaged under the decentralization policy, has not taken off in Ghana. It is considered as an instrument to implement fiscal decentralization at the district level. However, most MMDAs continue to budget and account for their expenditure on sectoral basis and human resource control is still not under the local authorities.



CHAPTER THREE

RESEARCH APPROACH AND METHODOLOGY

3.1 INTRODUCTION

This chapter presents the research approach and methodology used for the collection and analysis of the data for the research. Included in this chapter are the research design, the sampling approach and selection, data source and instrument for data collection, units of analysis and variables, data analysis and presentation and the summary and conclusion.

A methodology is a general approach, process and method used for data collection and analysis for studying a research problem. It relates to the general philosophical issues applied to guide the study, and is never wrong but only appropriate to the problem under investigation (Silverman, 1993). Yin (1984) states that the choice of the most appropriate research methodology revolves around three main issues namely: the nature of the research problem, the behaviour of the research theme and the extent of control the researcher has over contemporary events relating to the research issues.

Research approaches are not mutually exclusive and could therefore be used solely or combined with other approaches in undertaking a research. The research approach used in this study, the process, methods of data collection and analysis are presented below. These are considered within the context of the research issues being investigated and the demands in terms of available resources such as time, finance and logistics. The reasons for selecting the case study area and the units of analysis that would best address the research problem for optimum results are also outlined.

3.2 CHOICE OF THE STUDY AREA

The study was carried out in the context of composite budgeting in decentralized development planning in Ghana. The Ministry of Local Government, Rural Development and Environment, and the Ministry of Finance and Economic Planning have put together guidelines for the preparation of composite budget for use by all Metropolitan, Municipal and District Assemblies who are the lead agencies in the implementation of the programme. For the purposes of comparing the differences and similarities of the

processes, procedures and guidelines of its implementation four piloting districts in Ghana, namely; Dangme East in the Greater Accra Region, Akwapim North in the Eastern Region, Asante Akim South in Asante Region and Berekum in the Brong Ahafo Region have been selected.

In Ghana, District Assemblies constitute the main territorial, political, administrative and planning authorities at the district level and below. In terms of structure each District Assembly has under its supervision and control units being departments and organizations which are decentralized central government sector ministries and agencies operating at the district local level. These units are responsible for organizing and directing the technical implementation of the development planning activities of the District Assemblies. The budget of each district is therefore to include the aggregate revenue and expenditure of all these units under the District Assembly to ensure that their activities are well integrated, coordinated and mutually reinforcing for the achievement of the overall development goal of the district.

The selection of these districts was based on the fact that they were among the earlier districts created with the full compliment of the decentralized departments. The Districts have a lot of land properties and very high level of administrative and economic activities for the mobilization of local revenue for development. This was because the structures, processes, responsibilities, and resources as well as the locations of these districts made it possible for these districts to be selected for the piloting of the implementation of composite budgeting in 2003 and (2004 in the case of Berekum and Asante Akim South).

3.3 RESEARCH DESIGN

Research designs are about organizing research activity, including the collection of data, in ways that are most likely to achieve the research aims. The study adopted a combination of the case study and comparative study approaches. The case study is a method of inquiry that investigates a contemporary phenomenon-composite budgeting and decentralized development planning- within its real life context while the comparative study allows undertaking a specific research from different locations or

perspective using the same methodology. The essence was to determine whether the study outcomes would differ under different conditions. The case study method addresses a situation whereby the boundaries between phenomena and context are not clearly evident. It also uses multiple sources of evidence (Yin, 1993) and is suitable for context-related events such as composite budgeting.

The case study was used for the fact that the researcher has no control over the behaviour of actors in the study of composite budgeting. The policies of government and the decisions made by national and local public officials and the regulatory environment are outside the control of the researcher. These behaviours can only be observed and analyzed for drawing conclusions as how they influence composite budgeting. The case study method allows for flexibility to adjust to changing circumstances in the research environment, the type of data, data collection and data analysis techniques that are appropriate.

3.4 SAMPLING APPROACH AND SELECTION

The purposive random sampling technique was applied in the selection of districts for the study. The four District Assemblies of the study were selected out of the 25 districts in the country which were selected for the training using the purposive sampling technique. Since composite budgeting involves the central administration of the District Assemblies and the decentralized departments in the districts, the heads of department and members of the DPCU in each of the districts which were involved in the training for the implementation of composite budgeting were interviewed to solicit their views through the administration of questionnaires and focus group discussions.

3.5 DATA SOURCE AND INSTRUMENT FOR DATA COLLECTION

Data from both primary and secondary sources were utilized for this research through the use of questionnaires, interviews, and discussions. Both quantitative and qualitative methods of data collection were used.

Secondary data was compiled from the Ministry of Local Government, Rural Development and Environment, and the Ministry of Finance and Economic Planning.

Primary data were collected from key informants of the District Assemblies, (DCD, DFO, DBA, and DFO), and heads of the decentralized departments, particularly members of the District Planning Coordinating Unit (DPCU) through the administration of both structured and unstructured questionnaires. Important documents such as the Medium Term Development Plans (MTDPs) 2006-2009 of the districts were also collected for analyses.

In the case of literature review, secondary data on development, decentralized planning and composite budgeting in Ghana and elsewhere was reviewed from published and unpublished documents, the internet, official government documents on plans and budgets to deduce the idea relevant for the study. Documents such as the National Development Planning Systems Act 1994 Act 480, Local Government Act 1993, Act 462 and the Guidelines for the preparation of district development plans, the Guidelines for the preparation of Composite Budgeting, the Guidelines for the operationalisation of District and Regional Planning Coordinating Units, the New Local Government System of Ghana, and the 1992 Constitution of Ghana were reviewed.

3.6 UNITS OF ANALYSIS AND VARIABLES

Units of analysis in case study research refer to those institutions or issues that are addressed and about which assessments or conclusions are derived. The key factors in deciding on the appropriate units of analysis depend on the nature of the research problem and how the researcher understands the issues involved in the study. The study examines and analyses the financial management processes using primary data from the four (4) District Assemblies sampled in Ghana. Variables under the local financial management processes include the local financial resource mobilization, allocation and utilization were analyzed in the study.

The issues of the prospects, achievements and implementation challenges of composite budgeting for the provision of public services in decentralized development planning system were also analyzed. The key data variable is local institutional capacity in the implementation of composite budgeting. Local institutional capacity in this study

includes political capacity, fiscal management capacity and administrative or human resources capacity.

3.7 DATA ANALYSIS AND PRESENTATION

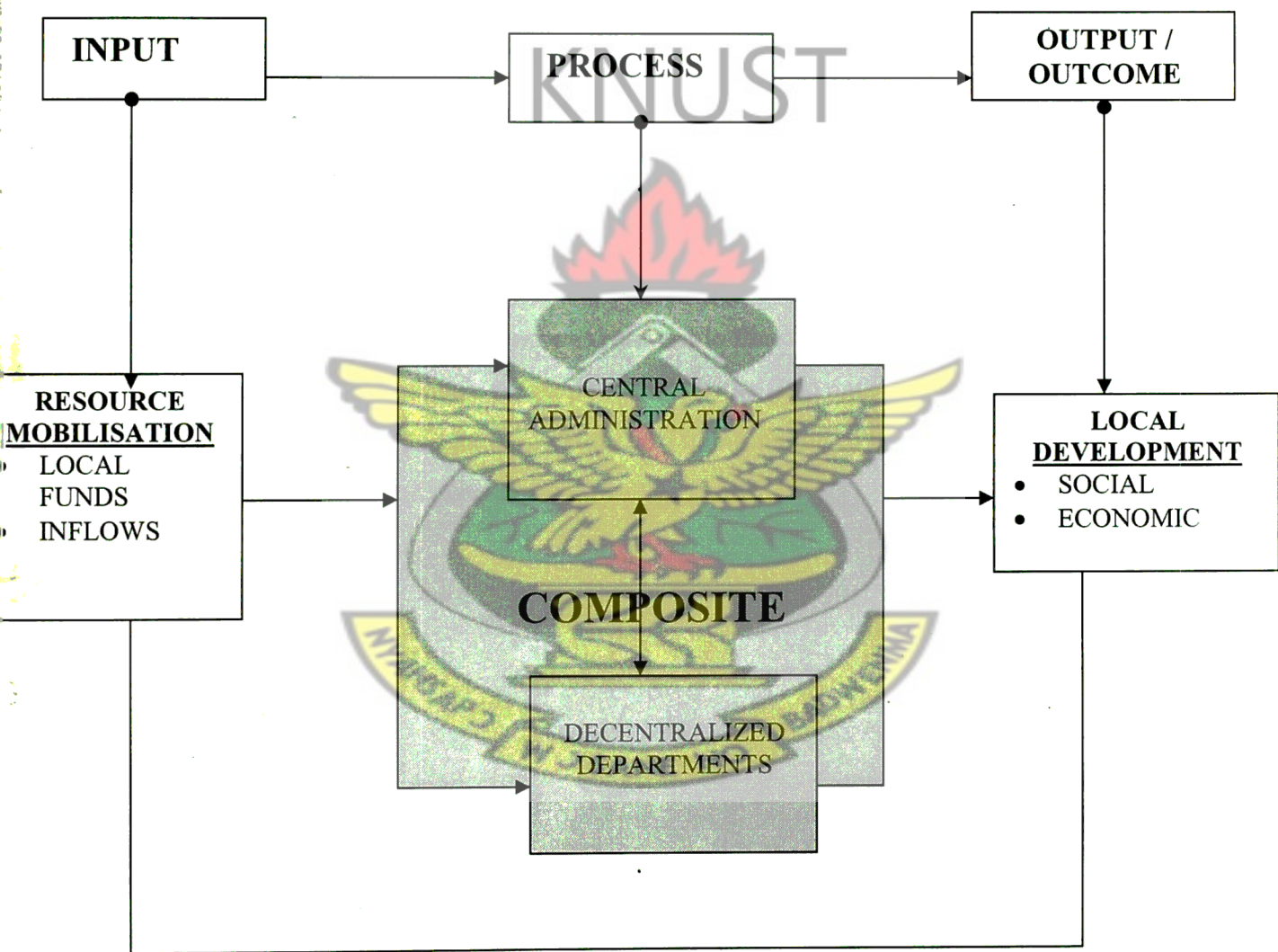
Data collected from the four District Assemblies, MLGRDE and MOFEP were compiled and summarized before analysis. The data were edited for inconsistencies and filling of data gaps. The aim of editing was to detect errors in completed questionnaires or information collected in order to find out whether the answers provided were accurate or correct. The editing enabled me to find out whether the interviewers had interpreted the questions and instructions uniformly. A review of the accuracy, uniformity and appropriateness of information assembled was made possible at this stage. The data were coded to classify answers to questions into meaningful categories in order to bring out essential ordering of themes.

The nature of the research necessitated a combination of both qualitative and quantitative techniques to analyze the data. The responses were coded, aggregated and translated into absolute figures and percentages according to relevant major themes. Tables, figures and diagrams were used to present quantitative data for analysis where appropriate and in the case of qualitative data, findings were presented descriptively in the form of reports.

The Likert Scale was adopted to assess the extent to which development actors perceive budgets and to identify the implementation challenges of Composite Budgeting in a decentralized planning in Ghana. Typically, respondents were presented with a series of statements and asked to say how far they agree or disagree with each of the statements ranging from strongly agree to strongly disagree. In addition, respondents were asked to indicate what they think were the implementation challenges of composite budgeting in their respective districts after explaining between lack of political capacity, lack of fiscal management capacity and lack of administrative capacity. Responses were then summed to give an overall score in each category which was presented in percentages in tables, diagrams and graphs for the analysis and reports.

3.8. ANALYTICAL FRAMEWORK FOR EXAMINING THE IMPLEMENTATION CHALLENGES OF COMPOSITE BUDGETING IN DECENTRALIZED DEVELOPMENT PLANNING IN GHANA

FIG. 1. THE ANALYTICAL INPUT-PROCESS-OUTPUT MODEL



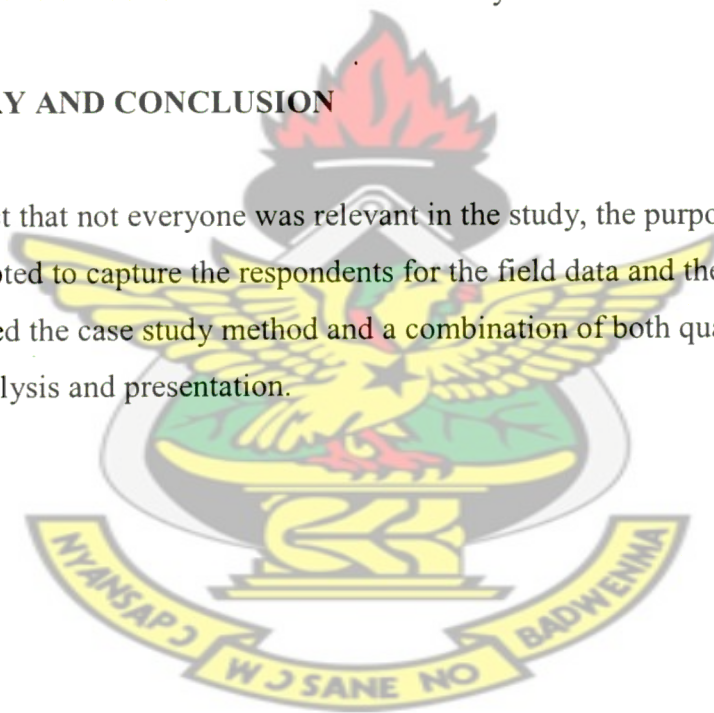
SOURCE: Author’s Own Construct, August, 2008.

3.8.1 The Analytical Input-Process-Output Model

The analytical model (fig.1) is an input-process-output model that examines the policy of composite budgeting in decentralized development planning system. Resource mobilization provides the policy input in the model through which internal and external funds flow into the local revenue system (central administration and decentralized departments) for the expenditure responsibilities of local governments. The revenue inputs have to undergo a process of financial resource management in order to achieve results. This includes planning and budgeting for resource mobilization, allocation, and utilization processes. A combination of inputs and processes produces outputs in terms of provision and maintenance of local public services for development. These are social and economic services, and the use of these facilities to satisfy human wants.

3.9. SUMMARY AND CONCLUSION

Considering the fact that not everyone was relevant in the study, the purposive sampling technique was adopted to capture the respondents for the field data and the nature of the research necessitated the case study method and a combination of both quantitative and qualitative data analysis and presentation.



CHAPTER FOUR

THE PROSPECTS AND IMPLEMENTATION CHALLENGES OF COMPOSITE BUDGETING IN THE SELECTED DISTRICT ASSEMBLIES

4.1 INTRODUCTION

This chapter presents the examination, discussions, and analyses of the financial management processes, composite budgeting process, prospects and advantages, and implementation challenges of composite budgeting in a decentralized development planning in Ghana with focus on the selected District Assemblies.

For the purpose of this study, implementation challenges are considered to be institutional factors, internal or external, militating against the preparation and implementation of composite budgeting in the District Assemblies. Findings from this chapter informed the recommendations made towards the implementation of composite budgeting in Ghana.

4.1.1 Background of Respondents

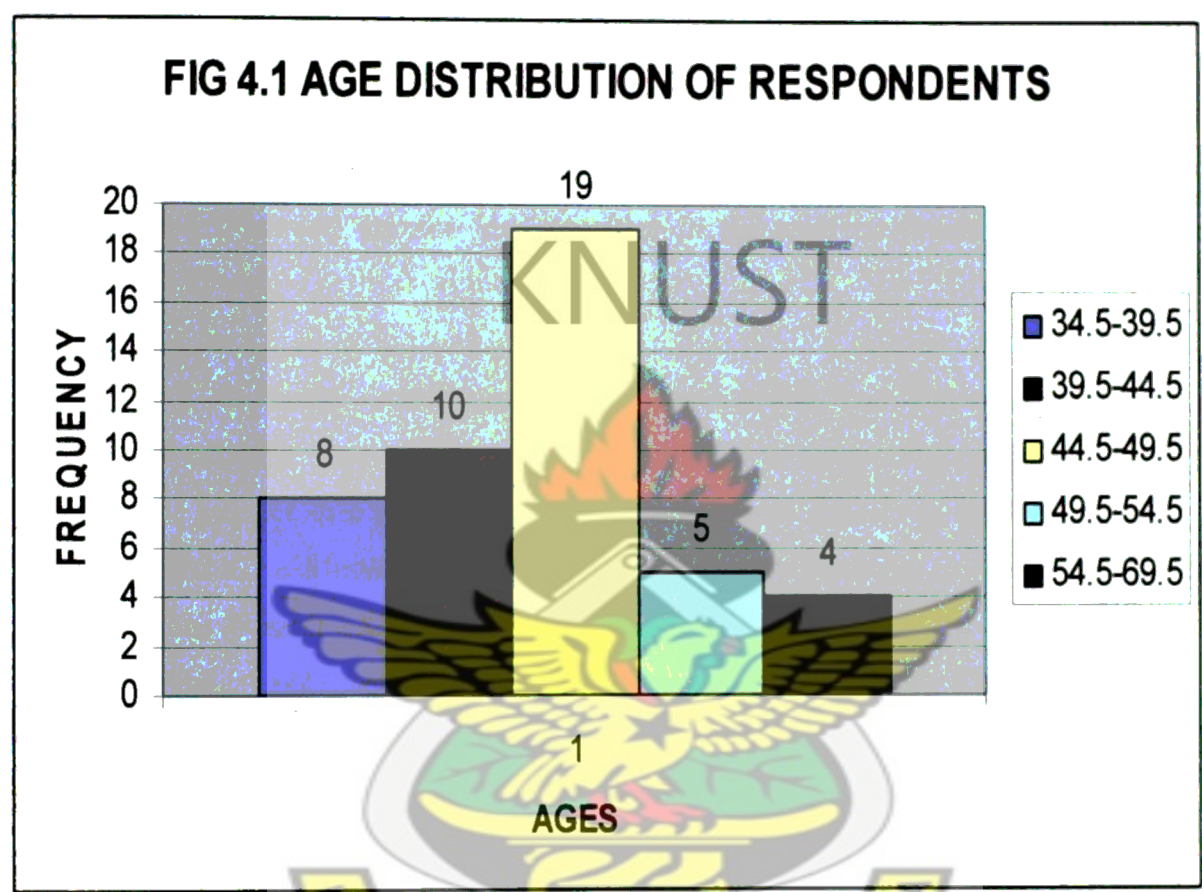
Forty-six (46) development actors were selected from the DPCU: eleven each from four District Assemblies (44) and one each from Ministry of Local Government, Rural Development and Environment, and Ministry of Finance and Economic Planning.

Table 4.1 SEX DISTRIBUTION OF RESPONDENTS

	FEMALE	MALE	TOTAL
CENTRAL ADM.	-	16	16
DEC. DEPT	4	24	28
MLGRDE	-	1	1
MOFEP	-	1	1
TOTAL	4	42	46

Source: Author's Field Survey, August, 2008

There were four (4) females nominated by the assemblies as gender desk officers in the districts and 42 males comprising 16 males from the central administration, 24 from the decentralized departments and one male each from MLGRDE and MOFEP as shown in Table 4.1 above. Those from the districts constitute the DPCU.



Source: Authors Field Survey, August, 2008

Figure 4.1 shows the age distribution of the respondents with the age group of 44.5 to 49.5 being the highest with 19 respondents. The lowest age group in terms of numbers is the age group 54.5-59.5 with 4 respondents. The minimum academic qualification of the respondents is a university degree and all respondents indicated that they were married.

These development actors are responsible for the day-to-day management of the DPCU Secretariat. In the execution of the functions of the District Assemblies, the DPCU

maintains a strong network with all sector departments and agencies to enable it to effectively serve as a secretariat to the District Assembly.

The composition of the DPCU in line with Section 46 sub-section 4 of the Local Government Act, 1993, Act 462, is made up of a minimum of 11 officers. Ten officers have been specified from the DPCU secretariat, central administration and the sector departments. The eleventh officer is a nominee of the District Assembly. The Ministry of Local Government, Rural Development and Environment, and the Ministry of Finance and Economic Planning are the lead agencies in the implementation of Composite Budgeting in Ghana.

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The Ministry of Local Government Rural Development and Environment is the supervisory ministry responsible for the planning, programming, monitoring and evaluation of policies affecting DAs. It also issues annual guidelines on the use of the Common Fund. The Ministry of Finance and Economic Planning controls the fiscal policy relations as spelt out by the Financial Administration Decree (FAD) of 1979, by which all budgetary preparation and approval has to be endorsed by the ministry. The Financial Administration Regulations (FAR) of 1979 provide for all disbursements, including payment of contracts, to be made through the Office of the Controller and Accountant General. The Ministry also gives approval on matters of hiring.

4.2. LOCAL FINANCIAL MANAGEMENT

Local financial management in this study refers to the following activity areas: financial resource mobilization, allocation, and utilization aimed at ensuring that financial resources are used appropriately to achieve the purpose for which they have been mobilized. These activities constitute the policy processes, which interact with the policy inputs in the way resources are allocated and used to achieve desired results or output/outcome. Financial management, in its broadest sense, encompasses the mechanisms for planning and allocating public resources to the achievement of government objectives, the systems of spending and accounting for the use of those resources, and the results achieved.

4.2.1. Local Financial Resource Mobilization

Resource mobilization in the model includes the revenue sources of local governments in the decentralized system with which they are to perform their functions. These include local revenues (internal generated fund), transfers (District Assembly Common Fund) and grants which constitute the policy input. The revenue structure provides local governments with the means of financing local development.

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

Article 252 of the 1992 Constitution established the District Assemblies' Common Fund (DACF). It provides that Parliament shall allocate annually not less than 7.5% (formally 5 per cent) of total Ghana government revenues to the District Assemblies on a quarterly basis for district development.

Ceded revenue is derived from revenue sources which hitherto were tapped by the central government through the Internal Revenue Service, but which central government has "ceded" to the DAs in pursuit of decentralization. The ceded revenue is centrally collected by the Internal Revenue Service (IRS), and the total ceded revenue collected for the year is transferred to the Ministry of Local Government and Rural Development (MLGRD) which shares it among the DAs, using a formula approved annually by Cabinet.

Locally generated revenues (popularly referred to as traditional sources of local government revenue) are derived from the following sources: rates; fees, licenses, trading services, specialised funds such as stool land royalties, timber royalties and mineral development fund; and investments of DA funds. In addition, Section 88 of Act 462 stipulates that DAs can raise loans or obtain overdrafts (section 59) within Ghana with the approval of the Minister of Local Government and Rural Development in consultation

with the Minister of Finance or may earn interest from investments (section 60) and may engage in any activity of commercial nature from which income is earned. The DAs are so far obliged to use allocations from the Common Fund solely for development (capital) projects, and rely on locally generated and ceded revenues to meet their recurrent costs.

TABLE 4.2 PATTERN OF LOCAL GOVERNMENT REVENUE (2000-2007)

(Figures are in Percentages (%))

	DISTRICT	REV.SOURCE	2000	2001	2002	2003	2004	2005	2006	2007
1	AKWAPIM NORTH	IGF	N/A	13.62	15.06	6.11	11.01	46.89	42.97	11.72
		INFLOWS	N/A	86.38	84.94	93.89	88.99	53.11	57.03	88.28
2	ASANTE AKIM S.	IGF	24.8	16.7	7.9	3.4	6.0	10.8	23.2	33.8
		INFLOWS	75.2	83.3	92.1	96.6	94.0	89.2	76.8	66.2
3	BEREKUM	IGF	13.05	19.43	20.81	16.97	12.78	17.01	20.77	20.04
		INFLOWS	86.95	80.57	79.19	83.03	87.22	82.99	79.23	79.96
4	DANGME EAST	IGF	20.28	16.58	15.04	10.58	15.69	16.52	18.16	18.61
		INFLOWS	79.72	83.42	84.96	89.42	84.31	83.48	81.84	81.39

SOURCE: Computed from Trial Balances of the Districts Assemblies, August, 2008.

Table 4.2 shows the composition of District Assembly internal and external revenue sources of the four districts covered in this study. The external source of revenue consists of transfers from the central government to the local governments. DACF is by far the most important revenue source for the District Assemblies, contributing more than 60 % to 89% of the total revenues for the period as depicted in Table 4.2. A close study of the table indicates that all the District Assemblies depend heavily on external source of revenue. Dangme East and Berekum District Assemblies show the same structure and pattern over the period except Akwapim North which from 2005 to 2006 depended on transfers amounting to 53% and 57% respectively. The highest dependency was in 2003 when most of the District Assemblies depended heavily on external flows. Akwapim North 94%, Asante Akim South 97%, Berekum 83% and Dangme East 89%.

4.2.2. Local Financial Resource Allocation

Resource allocation is the articulation of local priorities and the distribution of financial resources across local needs. It is the process where the determination of goals, objectives, and priorities, and the distribution of financial resources to achieve them are done. Resource allocation involves planning and budgeting. Failure in planning and budgeting could lead to problems which could adversely affect service provision and local development.

Budgeting is therefore an integral part of the resource allocation and management system, as it guides the implementation of public sector activities. Budgets are usually prepared for the short term hence the annual plan coincides with the budget, although the annual budget could also be linked with a Medium Term Expenditure Framework (MTEF). The type of budgeting used is important in this respect because there are many units, agencies and organizations which are operating at the local level.

4.2.3 Local Budgeting Process

The data collected from the sample districts show that draft estimates for most sectors in the four districts are prepared by the district and regional offices of the decentralized departments and then synthesized by their sector ministries in Accra before they are sent to the Ministry of Finance to be examined by the Budget Division. After this scrutiny, a budget hearing is held to determine the provisional estimates and the Ministry of Finance eventually approves the budget estimates of the decentralized department.

The district administration prepares line and incremental budgeting for both the IGF and the Supplementary Budgets. The budget structure is made up of revenue and expenditure estimates. Revenue estimate is divided into rates, lands, fees, licences, rents, grants, investment and miscellaneous items. Expenditure estimates comprise recurrent and capital expenditures. The Supplementary Budget is prepared based on the guidelines of the DACF where financial allocations are made according to economic and social sectors in respect of health, agriculture, education, water, and sanitation, and contingency. The

decentralized departments prepare their budgets alone without the assistance of the district administration and still see themselves as self-contained alternatives to the local administration within their districts. There were four types of budgets that were prepared at the district level; the Internally Generated Fund budget for the internal revenue mobilization, the Supplementary budget for the District Assembly Common Fund, the Personal Emolument budget for salaries of the workers of the DAs and the MTEF budget which was prepared by decentralized departments.

Although the central and local government treasuries at the district level have been merged into one District Finance Office, the idea of a district composite budget remains a fiction. Under the composite budgeting system, the budgetary allocations due to the decentralized departments such as Health, Education, Social Welfare, Community Development and Town and Country Planning are to be sent directly to the DAs. The rationale behind this arrangement is that, since the district officers of the departments will no longer go to Accra, the national capital, they will develop loyalty to the DAs through which they will receive their funds. The idea of composite budget has therefore been promoted to curtail the central control over the DAs by the central government. In practice, however, nothing has happened. Central ministries continue to direct how the local departments should use funds and organize their work. Furthermore, the Ministry of Finance and Economic Planning has refused to relinquish control over approval of budget estimates from the centralized departments.

Indeed, it has been found that central financial control over capital spending and official payments as stipulated by the Financial Administration Decree (FAD), 1979 and the Financial Administrative Regulations (FAR), 1979, has become tight. Perhaps even more importantly, the subordinate staff of the DAs are not fully at their disposal. While the FAD and FAR provide the legislative framework for central government financial administration, the Financial Memorandum, and Act 462 govern local government financial administration. The FAD and FAR provide exhaustive direction and control of financial administration which is inimical to fiscal decentralization (Ministry of Local Government and Rural Development, 1996).

The data collected from the study districts revealed that district budgeting is fragmented in all the four districts of the study. In all the districts the departments of Agriculture, Health, and Education adopt a sector-based approach for the resources allocated to them by using the MTEF format to access funds from the Central Government, while the district administrations followed the Medium Term Development Plan (MTDP) process for the allocation of internally generated funds and central government transfers using the line item budgeting. There was, therefore, no single district-based budget that addressed the utilization of all the funds in the districts which reflect both national and local priorities.

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4.2.4. Dual Budgeting

The Ministry of Finance was responsible for preparing the recurrent budget; the National Development Planning Commission was responsible for the annual development budget and medium-term planning. The two bodies carried out their responsibilities separately on the basis of different criteria, different staff, different bureaucratic dynamics, and different ideologies.

This duality is reproduced at district levels of government. Adequate coordination is particularly difficult because the decentralized departments (spending units) responsible for implementing the recurrent budget are administrative divisions, whereas the development budget is implemented through projects by the District Assemblies, which may or may not report systematically to their relevant administrative divisions. Hence the district assemblies receive their funds for development through the District Assembly Common Fund whereas the decentralized departments receive their warrants from their line ministries.

4.2.5 Local Financial Resource Utilization

Resource utilization includes a set of mechanisms designed to ensure effective use of allocated funds to achieve their objectives. The management and control of expenditure refer to the laid down procedures for operationalising expenditures in the budget, and the

ways these expenditures are managed in the public interest. The annual budget is the cornerstone of expenditure management and financial control.

Expenditure budgets are classified into two; recurrent and capital expenditures. This is evident from all the study districts. Recurrent expenditure includes those expenses that relate to consumption in the current fiscal year, namely; personnel and overhead (operation and maintenance) costs. Overhead costs are expenses made for running the local government administration such as general expenditures (utilities, stationery, supplies, etc) traveling and transport expenditures, maintenance/repairs/renewal and miscellaneous expenses such as sitting allowances for assembly members and traditional chiefs.

Analysis of expenditure in the districts sampled shows that recurrent spending was priority while capital items were mainly considered only when every other recurrent expenditure has been met. Another point of concern is the overhead costs, which constitutes the highest expenditure category. This is understandable because it includes administrative expenses, running and maintenance expenses on local facilities. Overhead expenses are concentrated on local government political officers and their allowances, maintenance of official vehicles, while very little is spent on operation and maintenance of facilities, stationeries and office supplies for local workers to perform their duties.

i. Control and Monitoring

The task of controlling and monitoring of expenditures is a legal and accountability issue where departments are not allowed to spend more than what has been appropriated to them; spend on activities that have not been authorized and may not transfer appropriated funds between authorized activities without approval. The accounting system provides two types of valuable information for monitoring the budget. Monitoring revenues is essential to avoid surprise shortfalls or illegal budget deficit at the end of the fiscal year and monitoring expenditures allows local managers to enforce legal structures on budget spending. Accurate and timely data are essential to both revenue and expenditure reporting. Data for budget preparation and forecasting are unavailable, inaccurate, and

untimely. Information on the financial system is not always accurate. The trial balance for reporting financial positions of the districts is not accurate and is in arrears for so many months and not well organized.

4.2.6. Budgeting, Accounting and Auditing Processes

The MLGRDE has been authorized by the 1993 Local Government Act to exercise the budgetary controls over the DAs, and this is aimed at ensuring financial accountability. For audit purposes, each DA has an internal audit unit while the Auditor General audits the accounts of the DA annually and sends his report to the MLGRDE, Parliament and the DA. The Ministry of Finance and Economic Planning (MOFEP) still has the following functions to perform as far as budgeting is concerned:

- MOFEP has the authority to prepare, publish and control the national budget;
- MOFEP approves the budget (approved estimates of revenue and expenditure);
- MOFEP issues Financial Encumbrances (FEs) to ministries, departments and agencies to cover their expenditure;
- MOFEP instructs the Comptroller and Accountant General’s Department to give ceilings within which Financial Encumbrances must be spent, this is normally 75% of FE; and
- MOFEP approves DA’s budget.

In other words, composite budget has not been implemented because the MOFEP has literally refused to relinquish control of budget to the DAs. The Minister for Local Government, in a paper presented in May 1998, indicated that composite budgeting is essentially a Ministry of Finance responsibility that may possibly be undertaken as part of the Public Finance Management Reform Programme (PUFMARP) exercise.

4.2.7. Reality of Budgets

In order to assess development actor’s perception about the reality of budget and what local governments use budgeting for, a question was asked about the reality of budgets and the outcome/response to that question is presented in the following table. From Table 4.3, 52% of development actors (44 members of the DPCU of four District Assemblies

and two (2) officers, each of Ministry of Finance and Economic Planning and Ministry of Local Government, Rural Development and Environment) strongly agree that budgets are used as a means of securing funds from the central governments and NGOs for developmental purposes. In the case of ensuring sound financial management 30% of respondents are uncertain whether budgets are used for the intended purpose because according to them budgets are prepared but expenditures are made without recourse to the budget.

TABLE 4.3 REALITIES OF BUDGETS

	USE OF BUDGETS	STRONGLY AGREE	AGREE	UNCERTAIN	DIS-AGREE	STRONGLY DISAGREE
1	Ensure Sound Financial Management	18%	22%	30%	26%	4%
2	Match Revenue with Expenditure	43%	17%	17%	13%	10%
3	Ensure Sound Implementation of Policy	30%	17%	14%	26%	13%
4	Meet Regulatory Requirement	39%	39%	22%	0%	0%
5	Show Total Inflow and Outflow of Resources	34%	17%	26%	13%	10%
6	Means of Securing Funds	52%	22%	13%	9%	4%

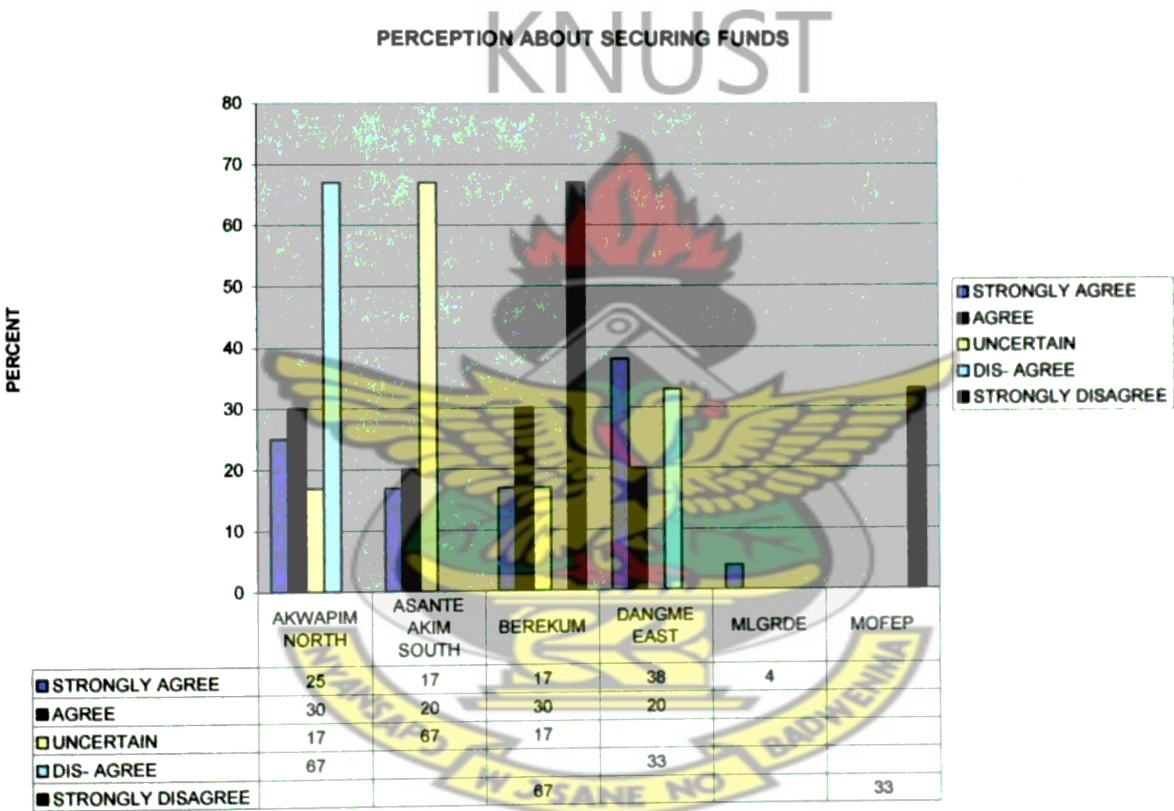
Source: Author’s Field Survey, August, 2008.

The question to ask was whether budgets guide the day to day activities of local governments? Development actors at the district level strongly agree that budgets are a means of matching revenue with expenditure (43%) and 52% strongly agree that budgets are used in order to secure funds (52%) for development purposes. Don’t we think that was the main reason why budgets were not taken seriously? According to the survey development actors think that even though a lot of time and energy was spent on the preparation of budgets they were not used for the purpose for which they were prepared.

This could explain the reason why people were not serious in the preparation of budgets at the local government level.

From Table 4.3, development actors strongly agree to all the uses of budgets except in sound financial management where most of the respondents were uncertain whether budgets were used for the intended purpose and 39% of respondents strongly agree that budgets were prepared because it was a statutory requirement for local governments to fulfill.

FIGURE 4.2 PERCEPTIONS OF BUDGETS



Source: Authors Field Survey, August, 2008

Among those who strongly agree that budgets are used for securing funds, 38% of them come from Dangme East, 25% from Akwapim North and 17% each from Berekum and Asante Akim South.

4.3. THE COMPOSITE BUDGETING PROCESS

Section 92 of Act 462 institutes a Composite Budget, an integrated district budget that synthesizes and harmonizes expenditure and revenue estimates of the programmes of all the departments of the DA, as distinct from sectoral budgeting. To integrate budgeting and development planning within the framework of the new decentralized planning system the following logical or step by step stages are necessary for District Assemblies to establish and operate the district composite budgeting (Kokor, 1998):

i. Prepare District Medium-Term Plan (DMTP)

Each district prepares an integrated medium-term plan (three-year rolling plan) based on the guidelines issued by the NDPC. The plan should be structured as far as possible along the lines of the logical planning framework indicating the overall goal, objectives, output, the activities and the inputs to achieve the activities. Composite budget adopts the MTEF process in line with the National Budget system that involves the process of developing a strategic plan, policy objectives, costing and collation.

j. Preparation of District Annual Action Plan (DAAP)

Annual Action Plan which would be derived from the medium-term plan and represents the first year of that plan shall be prepared by the districts structured within the logical planning framework to include; Implementation time schedule; tentative detailed cost estimates of the projects and activities; sources for financing the projects; and implementing agencies and organizations.

k. Preparation of Work Plans and Cost Estimates

Each department under the District Assembly prepares detailed work plans or plan of operations covering their functional areas of responsibilities defined in the District Annual Action Plan with detailed cost estimates and implementation time schedule.

1. Preparation of District Annual Composite Budget (DACB)

The individual departmental expenditure estimates are collated, synchronized with the key sector objectives as they relate to the districts by comparing with the tentative figures arrived at the annual action plan, and aggregated. The aggregated departmental budgets become the district annual composite budget which is directed towards achieving the objectives of the annual action plan.

m. Operating and Monitoring the District Annual Composite Budget

After the Annual Composite Budget and the Annual Action Plan have been approved by the relevant authorities, i.e., Regional Coordinating Council, Ministry of Finance and National Development Planning Commission, there will be a continuing task of planning and budgetary control. Concurrently, the monitoring of performance indicators required in order that the objectives of the Annual Action Plan may be achieved will also be carried out by the DPCU.

4.3.1. Prospects for the implementation of Composite Budgeting

The Ministry of Local Government, Rural Development and Environment in collaboration with Ministry of Finance and Economic Planning are the two lead agencies in the implementation of Composite Budgeting. They have put together the guidelines for the use by Metropolitan, Municipal, and District Assemblies (MMDAs) to facilitate easy preparation of Composite Budget in the districts. One of the advantages of Composite Budgeting is that it becomes possible to know at anytime the overall financial resources available to the District Assemblies and the sources of such funds since they are indicated in the budget. The limited resources and time available to the districts are directed to the activities and these result in improved services and achievements of specific objectives thereby reducing bribery and corruption. Since MMDAs are provided with better information with three year ceilings, they are able to plan and manage the activities they undertake at the district level, and have autonomy and authority to implement these activities.

i. Harmonization and Integration

Harmonization and integration of the District Assemblies Budgeting System with the National Budgeting System is possible through composite budgeting. The District Budget is linked to the MTEF National Budgeting System of the decentralized department with that of the Central Administration Budgets. The rationale for the allocation of resources becomes more transparent and the relative strength of the various units and departments of the District Assembly is measured. As a result donors can be persuaded to allocate donor funds to Government priority activities. Transparency promotes efficient public sector management. Its aim is to encourage the commitment of public officials to formal rules on public expenditures and revenues, and to impose costs or penalties on public officials and bureaucrats for gross violation or abuse of financial rules and regulations.

ii. Financial Information

Composite budgeting provides financial information which is an essential ingredient for accountability and financial control. It is the life blood of budgetary, resource allocation and financial management. Financial information provides public officials with tools for making policy decisions such as controlling aggregate spending, prioritizing expenditures across programmes and projects, and better use of budgetary resources to produce output at least cost. It also helps the people to hold public officials accountable in government and makes them responsible for producing outputs.

Through Composite budgeting, it becomes possible to effectively monitor the use of resources in the district to ensure control and management of the fiscal and human resources of the District. The budgeting process makes it possible to assess the District Assembly's contribution or resources that are channeled to the sectors of education, health and agriculture and their contribution to the District Assemblies. Integration of the resources of the various sectors to achieve effective coordination and harmonization is possible by the instrument of composite budgeting.

The composite budgeting process was used to deepen and strengthen the existing team building initiatives set up under the various local government units. The District Strategic

plans of the districts have been produced and the soft ware for the generation of the budget has also been distributed to the District Assemblies. Each group after producing its strategic plan had to undergo training in the MTEF costing process.

4.4. IMPLEMENTATION CHALLENGES OF COMPOSITE BUDGETING

A major weakness of the traditional public finance approach to local development is that it neglects the institutional issues, as its main emphasis has been on economic policies. Less attention has been paid to how these policies would be implemented in different institutional settings and the institutional capacity requirements for successful implementation apart from the efficacy of the market and the local political process.

The decentralization of political, fiscal and administrative responsibilities to local governments lead to a set of fundamental questions: do local governments have the capacity to support and manage decentralized functions? Do local governments have the capacity to deliver local public services? Can local governments manage their fiscal responsibilities? In the context of this study, local institutional capacity is defined as the productive ability of local governments to discharge their functions or the extent to which local government organizations possess the ability to perform their responsibilities effectively and efficiently especially with regard to planning and budgeting.

4.4.1 Local Institutional Capacity

Local institutional capacity in this study includes political capacity, fiscal management capacity and administrative or human resources capacity. These aspects of local institutional capacity affect resource management and policy results at the local level. They do not exist in isolation, but are functioning as a network of interrelations influencing the practice of decentralization and its effects on local development. For instance, the nature of local political and human resource capacity affects the mobilization, allocation and management of fiscal resources (local fiscal management capacity).

4.4.2 Local Political Capacity

This refers to the capacity of the local political leadership to identify and respond to the needs and preferences of their constituents. Political capacity involves advocacy on behalf of the local constituents in the intergovernmental relations. Local officials must be able to mobilize national support for local issues and also demonstrate local concerns on national issues and policies, as well as negotiate for the benefit of the localities. Local political capacity also includes the ability of local officials to involve residents in determining needs and shaping policy, that is, local participation in decision making. Another factor of local political capacity is the degree of accountability of local officials to their constituents through transparent fiscal decisions and actions. Local officials actively seek people's participation and use performance-based indicators in running local fiscal affairs to enable their constituents know both the inputs used and the outcomes achieved, as this enhances accountability. Also important in building local political capacity is political will of the national leadership, that is, the extent of national political support for fiscal decentralization. The reluctance of the central government and its bureaucracy to transfer fiscal responsibility to local governments is a major hindrance to local political capacity in developing countries. Table 4.4 shows that 55% of respondents from Akwapim North, 46% from Berekum, 9% from Dangme East and 36% from Asante Akim indicate that the implementation challenges are lack of political capacity at the district level.

4.4.3. Local Fiscal Management Capacity

From Table 4.4 Dangme East tops the table with 36% of respondents attributing the challenges of composite budgeting to lack of fiscal management capacity, followed by Akwapim North and Berekum with 27% each, Asante Akim follows with 18%. Local fiscal capacity is the ability of local government to make fiscal and financial decisions- to mobilize, allocate and use financial resources in a way that maximizes local benefits. It includes revenue mobilization and expenditure management or the ability to raise and spend public money efficiently. The extent to which revenues are mobilized, the nature, size, and reliability of central transfers and the local expenditure pattern are important determinants of the fiscal management capacity of local governments to provide services.

This includes the ability of the district assembly to expand the revenue base to reduce the dependency on external flows which delay budget preparation and execution of important projects in the district.

Table 4.4 depicts the composition and distribution of responses to the challenges of composite budgeting in the study districts, 55% of respondents in Akwapim North believe that the implementation challenges are lack of political capacity, 46% of respondents from Asante Akim South indicated that the challenges are lack of administrative capacity .

TABLE 4.4 CHALLENGES OF COMPOSITE BUDGETING

IMPLEMENTATION CHALLENGES (LACK OF)	AKWAPIM NORTH	ASANTE AKIM SOUTH	BEREKUM	DANGME EAST	TOTAL
POLITICAL CAPACITY	55	36	46	9	36.5
FISCAL MGT. CAPACITY	27	18	27	36	27
ADMINISTRATIVE CAPACITY	18	46	27	55	36.5
TOTAL	100	100	100	100	100

Source: Author’s Field Survey, August, 2008. (Figures are in percentages)

Fifty-five percent of respondents from Dangme East believe that the challenges are lack of administrative capacity. In Berekum, 46% of respondents indicated that the implementation challenges are lack of political capacity. From the table it can be concluded that political and administrative capacities are high with a total of 36.5% each. Political capacity is not considered as a major challenge in Dangme East with only 9%. In Akwapim North, administrative capacity is considered as the least with 18% as seen from the Table 4.4. Asante Akim South considers fiscal management capacity as the least with 18% of respondents. Respondents in Berekum indicate high percent of 46 to political challenges as the implementation challenges to composite budgeting and sharing the

remaining percent between fiscal management and administrative capacities. The differences in the results clearly show the different institutional settings and the type of leadership style that may influence the work environment in the participating districts.

4.4.4. Local Administrative Capacity

This refers to the internal ability of local governments to put resources together to achieve organizational goals. A major element of local administrative capacity is human resources-the technical and administrative skill and incentives that exist within the local government system. Education and training are critical factors in human capital formation to improve the quality and productivity of labour. The way local workers are employed; educated, trained, and remunerated are crucial aspects of human and administrative capacity building which impact on their work. Access to relevant training, identification of training needs and provision of training funds are crucial to capacity building for local governments. There is lack of training for officers in the districts sampled, hence low capacity.

Also important is the control of local government personnel, whether they are responsible to the local government or to a central authority. If local staff are employed by the local government and responsible to it, this will have different impacts from a scenario where local staff belong to the central bureaucracy on deployment or secondment to local units, but responsible and accountable to the central government. This former case has the greater chance of realizing local mandates and identifying with the locality than the latter case where local staff would see themselves as agents of the central government and not belonging to the locality, and this affects their motivation, commitment and performance. The performance of organization depends partly on the quality and productivity of its human resource. In the public sector, human resources are very critical to public policy implementation, more so at the local government level to provide local public services.

Included in this category are the human resources, managerial and technical skills, personnel incentives, staff training, management attitudes and internal organizational issues. Managerial skills are important for efficient local government administration and

management of both financial and human resources to achieve desired results. Technocrats are needed in such local government departments like public works, planning, budgeting, accounts and audit. Hence the availability of engineers, planners, budget officers, lawyers, accountants and auditors within the local government workforce will influence the performance of local governments in public service delivery.

i. Personnel Incentives

The productivity of human resources depends on the incentives to staff, which influences their motivation and the commitment to work. Staff incentives include the wage rate (salaries and allowances), career prospects, promotion, social security, pensions and the working environment. These constitute the conditions of service. If the conditions of service are attractive, local staff will be highly motivated to work hard and achieve results. If staff are not well equipped, there is the tendency for them to sit in the offices doing nothing while salaries are paid for redundancy.

ii. Staff Training

Training is very crucial for capacity building and for strengthening existing capacity. The dynamism of political, social, economic and technological environment necessitates that workers are well informed about their roles, responsibilities and challenges, and are also equipped with adequate skills to enhance their capacity to realize their potentials through regular staff training. The content, scope, target and frequency of these training programmes are essential for effective staff performance.

4.5. SUMMARY AND CONCLUSION

The performance of any organization is not only determined by the nominal powers and responsibilities, or by the amount of revenues being controlled but also by the commitment and motivations of the people who work in the organization. For these people to be useful there is the urgent need for training to strengthen the existing capacity.

CHAPTER FIVE

KEY FINDINGS, RECOMMENDATIONS AND CONCLUSION

5.1 INTRODUCTION

This chapter presents the key findings on the examination, discussions, and analyses of the financial management processes, composite budgeting process, prospects and achievements, and implementation challenges of Composite Budgeting. It ends with the recommendations and conclusion. The discussions on the implementation challenges of composite budgeting in the study brought to the fore the following key findings:

5.2 KEY FINDINGS AND THEIR IMPLICATIONS TO PLANNING

5.2.1. Local Financial Resource Mobilization

Local governments mobilize financial resources from internal and external sources. The internal sources include taxes and non-taxes of revenue, and external sources from grants and the District Assembly Common Fund. Internal revenue contributes less than external revenue. This is seen especially, in 2003 in the four district assemblies surveyed; internal revenue contributed 6 percent in Akwapim North, 11 percent in Dangme East, 3 percent in Asante Akim South and 17 percent in Berekum. All the four districts depend heavily on revenue from external sources especially the District Assembly Common Fund which consists of more than 80 percent of the total revenue accruing to the districts for local development. How can districts be autonomous when their internal source of revenue is low? This has serious implication for development because the release of the fund is irregular which could in effect delay the implementation of development projects in the districts. Moreover, internally generated fund cannot be used for development projects.

5.2.2. Local Financial Resource Allocation

Budgeting is fragmented with no single district-based budget that addresses the utilization of all the funds in the districts which reflect both national and local priorities in all the districts under the study. This could affect the intended harmonization and integration of the District Assemblies Budgeting System with the National Budgeting System, and consequently delay the implementation of fiscal decentralization.

5.2.3. Local Budgeting Process

The study revealed that, for now, four types of budgets are prepared at the district level. The following observations are made in respect to local budgeting in the district assemblies: Financial estimates are based on over-ambitious and unrealistic projections that do not come from reliable data or past actual performance. Available financial resources are thinly spread on many programmes, projects and activities which compete for inclusion in the budget. A variety of undesirable compromises are used to avoid internal bureaucratic conflicts – spending scarce funds among an excessive number of programmes in an effort to satisfy everybody, deliberately overestimating, underestimating, and postponing some of the programmes and projects. In effect there is no linkage between the inputs and the outputs or targets as a measure of performance in meeting the agreed objectives. The adoption of the MTEF budgeting process is critical for local governments. This will ensure that the local budget will be in line with the National Budget system so as to address the utilization of all the funds in the districts and at the same time reflect both national and local priorities.

5.2.4 Dual Budgeting

There is duality of budgeting at the district level. Adequate coordination is particularly difficult because the decentralized departments (spending units) responsible for implementing the recurrent budget are administrative divisions, whereas the development budget is implemented through projects by the District Assemblies, which may or may not report systematically to their relevant administrative divisions. Hence the District Assemblies receive their funds for development through the District Assembly Common Fund whereas the decentralized departments receive their warrants from their line ministries.

Composite budget has not been implemented because the MOFEP has literally refused to relinquish control of budget to the DAs. The Minister for Local Government, in a paper presented in May 1998, indicated that composite budgeting is essentially a Ministry of Finance responsibility that may possibly be undertaken as part of the Public Finance Management Reform Programme (PUFMARP) exercise.

5.2.5. Local Financial Resource Utilization

Expenditures are classified into recurrent and capital. The methodology currently used by all levels of local government is a combination of incremental and item-based budgeting. Although simple to manage, the approach has divorced resource requirements (means) from performance achieved (ends). Budgeting at the local government level also follows this trend and does not provide adequate mechanism for evaluating budget implementation outcomes.

i. Control and Monitoring

There is an expenditure control system in place to guide local financial operations based on the FAR and FAD, and other regulations on the use of public funds. However, expenditure control in the four local governments is facing problems which include weak internal financial control, delays in approving requests for the release of funds, excess expenditures above budget provisions and partial compliance with financial regulations. Financial data for budget preparation and forecasting are unavailable, inaccurate, and untimely. Information on the financial system is not always accurate. The trial balance for reporting financial positions of the districts is not accurate and is in arrears for many months and not well organized. This has a serious repercussion for planning and budgeting purposes in that it does not portray the actual resources in the district.

5.2.6. Reality of Budgets

The way development actors perceive budgets reflect the approach that is adopted towards its preparation and implementation. From the study, it is revealed that most of the core staff (52%) believed that budgets are means of securing funds from the central government, donors and NGOs. They do not believe that budgets guide the day to day activities of local governments because public officers do not expend in accordance with the guidelines of the budget. This idea would definitely affect the preparation and implementation of Composite Budget if it is not considered as an important management

and resource allocation tool necessary for local development. There is the need for education on the essence of budgets to local governments.

5.2.7 The Composite Budgeting Process

There is no coordination at the district level between central administration and departments. This may emanate from the considerable difficulties that have been experienced in the integration of the line ministries and departments. These include:

- The reluctance of the national and regional level officers of the line ministries to accept the redefinition of their roles and relationships with the District Chief Executives (DCEs) – the political heads of the districts who are appointed by the central government – and district heads in terms of the decentralized system of government and the failure of the central and regional heads of departments to instruct their district officers to work through the DCEs;
- The holding on to funds and controlling of programmes in the districts by some staff of the line ministries and departments without the knowledge of their own officers. Some line ministries and departments continued to operate independently of the DAs and refused to acknowledge the authority of the DAs over them; and
- The various instruments that set up the various ministries and departments have not been amended even in the face of the changes, such that the district heads of departments attend meetings of the DAs more out of respect or fear rather than as legal obligations on them.

The line ministries and departments, in spite of “decentralisation”, continue to report to Accra through the regions, while their staff are appointed, promoted, remunerated and disciplined by their national and regional offices because the DAs lacked the financial resources to “hire and fire” staff.

5.2.8. Prospects and Advantages of Composite Budgeting It is possible to know at anytime the overall financial resources available to the District Assemblies and the sources of such funds because they are indicated in the budget. The limited resources and time available to the districts are directed to the activities and these result in improved services and achievements of specific objectives thereby reducing bribery and corruption. When there is lack of financial information, public officials find it difficulty to make policy decisions such as controlling aggregate spending, prioritizing expenditures across programmes and projects, and better use of budgetary resources to produce output at least cost.

The Composite Budgeting process was used to deepen and strengthen the existing team building initiatives set up under the various local government units. The District Strategic plans of the districts have been produced and the soft ware for the generation of the budget has also been distributed to the district assemblies

5.3. IMPLEMENTATION CHALLENGES OF COMPOSITE BUDGETING

The responses to the challenges of composite budgeting in the study districts show that 55 percent of respondents in Akwapim North believe that the implementation challenges are lack of political capacity, 46 percent of respondents from Asante Akim South believe that they are lack of fiscal management capacity. In Berekum, 46 percent of the respondents indicated that the implementation challenges are lack of political capacity and 55 percent of the respondents from Dangme East think the challenges are lack of administrative capacity. This shows that the challenges are multi-faceted and must be tackled with the cooperation of all stakeholders. Institutional issues are very important in the analysis of composite budgeting because of its context specific nature.

The institutional analysis looks into the behavior of local politicians and bureaucrats as entities within the local government organization in relation to the realization of organizational objectives. This refers to the working rules, system of incentives, opportunities, and the pursuit of self-interest within the organization. This illustrates the point that the performance of organizations are not only determined by their nominal

powers and responsibilities, or by the amount of revenues being controlled but also by the commitment and motivations of the people who work within them. This includes such factors as the conditions of workers, the reward system and the mechanisms by which local citizens can make their wishes known to their local governments and exert pressure on them to do what the people want.

5.4 RECOMMENDATIONS AND THE WAY FORWARD

Composite budget is expected to be used as an instrument for integrating the budgets of the District Assemblies and those of the decentralized departments and organizations which would be placed under the control and supervision of the District Assemblies. It is believed that Composite Budgeting would ensure the transfer of adequate financial resources and budget authority from the Central Government to local governments with sufficient autonomy to allocate and utilize these resources in the provision of socio-economic services for the achievement of fiscal decentralization. In spite of all the advantages in composite budgeting, the programme is not able to take off at the district level.

The failure of the implementation of Composite Budgeting according to this study is attributable to lack of local institutional capacity. The factors militating against its implementation is a combination of lack of political, fiscal management and administrative capacities at the local level.

Following the investigations of the prospects and implementation challenges of composite budgeting in a decentralized development planning in Ghana, and based on the analysis and subsequent findings on the data collected, the following recommendations are made as the way forward for consideration for policy implementation.

5.4.1. Revenue Mobilization

District Assemblies should improve revenue collection efforts by revitalizing and equipping their revenue departments, involving community-based organizations, market associations in revenue mobilization, collection and reporting. They should also diversify

their revenue base by going into public-private partnerships for municipal services like urban transportation, commercial enterprises, waste management and disposal, and small scale farming activities. Asante Akim and Berekum which are predominately agricultural districts can engage in commercial agriculture, poultry and livestock farming, purchase, storage and sale of farm produce, agro-based small scale processing activities; and rural transport service in partnership with local entrepreneurs. District Assemblies should also improve their revenue base. The data base of the sources of revenue such as the property rate should be updated and improved. This will reduce the overdependence on the District Assembly Common Fund. The Songhor Salt Lagoon in Dangme East should be rehabilitated to boost revenue generation, and Akwapim North should update their data on property rate to bring in more revenue. The revenue departments of the district assemblies should be given revenue mobilization vans for education of the citizenry on the need to pay taxes.

5.4.2. Local Financial Resource Allocation Mechanisms.

The DPCUs should be equipped with the necessary logistics to work with. Collection and storage of adequate social, economic and financial data is necessary for planning and budgeting. Lack of data is the bane of planning and budgeting efforts, especially at all the local levels. The District Assemblies and the decentralized departments should put in place an information management system that should serve as a dependable data source for planning and budgeting. This will reduce the incidence of plan and budget failures, overestimation of revenues and expenditures that throw the local budget off its course during the implementation process. There is the need for coordination

A participatory budgeting approach is being advocated whereby local government officials can discuss with community leaders about how public money should be spent and how it is actually spent. Participation as a principle of budget implementation is required to achieve effectiveness, efficiency, empowerment, and equity, and may take place at various levels including initiating an action, information sharing, consultation and decision making as practiced in Uganda and South Africa.

5.4.3. Budget Control and Monitoring

To ensure that local budgets are implemented as planned, there is the need to strengthen the functional capacity of the budget implementation committees so as to improve the regulatory framework. The budget committees should be empowered to monitor the implementation of the local government annual budgets; examine revenues, and expenditures, and monitor the execution of capital projects. Financial management software systems can improve the timeliness of preparing, implementing, and reporting, because they allow fast transfers of data into central reporting systems to provide the status of revenue and expenditure.

5.4.4. Establishment of the Local Government Service

The Local Government Service is to provide the professional/technical support to the Regional Coordinating Councils (RCCs), the MMDAs and their sub-district structures in the discharge of their functions in accordance with the 1992 Constitution and the Local Government Act 1993, Act 462. The Local Government Service even though passed, is not operational to address the several problems affecting the implementation of the decentralization policy including recruitment and composite budgeting. By this study it is highly recommended that the local government minister should see to its operation as soon as possible. With the Local Government Service, local governments will have direct or indirect means to attract and retain skilled staff through financial and other incentives, thus preserving mobility and career advancement opportunity. This means that authorities would review performance, reward good performance through promotion, pay increases or incentives, and discipline poor performance.

5.4.5. Operationalisation of the DPCU.

The proper functioning of the DPCU is essential for the implementation of Composite Budgeting. All the critical issues for effective functioning of District and Regional Planning Coordinating units such as the composition, roles, monitoring procedures, and basic capacity building requirements of the DPCU are addressed in the guideline for adoption. The DA should provide enough capacity building within the DPCU. Institutional capacity building for budget implementation which involves both the

availability of skills, methods, system and technology, and the utilization of these resources through training, orientation, workshop, staffing, equipping of offices, and mobilization of labour and technical assistance are recommended.

5.5 CONCLUSION

Composite Budgeting is critical to local government performance in service delivery to the people. The management of local fiscal resources has implication for the provision and maintenance of local service for public welfare. Failure in planning and budgeting could lead to problems and poor implementation which would adversely affect service provision and local development.

From the forgoing discussion, it is evident that, there are challenges in the implementation of Composite Budgeting in Ghana from the centre to the grassroots. These challenges are a combination of lack of institutional capacities in the local government settings. To overcome these challenges, it is important that the necessary tools to work with are provided to local officials. Public policies are formulated and implemented by government and its officials. The performance of government is not only determined by its nominal powers and responsibilities, but also by the quality and motivation of the local officials who work within the organization. The attitude of public officials still relate to a highly centralized, regulatory and non-promotional style of governance. There is the need for a change. Local officials should also inculcate modern management attitudes, be innovative and strategic in running local government business in this changing competitive times. A well trained and motivated workforce is necessary for the successful implementation of composite budgeting in Ghana.

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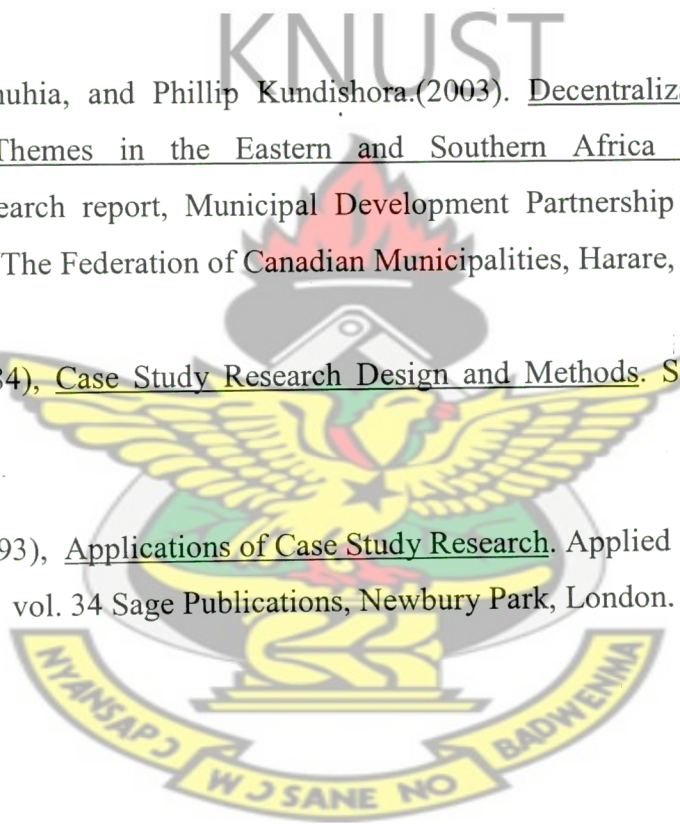
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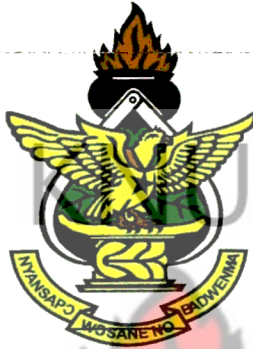
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MSC. DEVELOPMENT POLICY AND PLANNING

**TOPIC: THE IMPLEMENTATION CHALLENGES OF COMPOSITE
BUDGETING IN DECENTRALISED DEVELOPMENT PLANNING IN
GHANA: A CASE STUDY OF SELECTED DISTRICTS.**

**This is purely an academic exercise and the information obtained from you will be
used solely for that purpose and therefore will be treated as confidential as possible.**

GENERAL INFORMATION

NAME OF DISTRICT ASSEMBLY.....

DATE OF INTERVIEW.....2008....Start Time.....End Time.....

POSITION IN THE DA.....QUALIFICATION.....

AGE..... MARITAL STATUS.....

SEX OF RESPONDENT [M] [F]

(PLEASE TICK [] OR DRAW A RING [] AROUND THE APPROPRIATE LETTER(S))

SECTION A: REVENUE MOBILISATION

1. What are two major sources of revenue to the District Assembly?
 - a. Government Transfers
 - b. Borrowing
 - c. Internal Generated Fund
 - d. Donor Funds/NGOs
 - e. Others (Specify)
2. Please provide the revenue figures [in GH.cedis, '000] of the following sources for the years indicated]:

REVENUE MOBILISATION TABLE (1)

	2000		2001		2002		2003		2004		2005		2006		2007	
REV. ITEM	EST.	ACT	EST.	ACT	EST.	ACT	EST.	ACT	EST.	ACT	EST.	ACT	EST.	ACT	EST.	ACT
IGF																
DONOR																
DACF																
HIPC																
SAL																
BOR.																
TOTAL																

3. State two major problems facing revenue mobilization in your district
 - i.
 - ii.
4. What prospects exist for improving revenue generation?
Specify in detail
.....
.....
5. Which of the following describes the external remittances of revenue to the District Assembly?
 - a. Regular (come when it is needed)
 - b. Helpful (releases the DA from many difficulties)
 - c. Certain (sure that it would come)
 - d. Adequate (sufficient to do what it is expected to do)
 - e. Reliable (do not vary too much in amount and time)

6. Do you think the DA can function without statutory allocations from the Central Government?
 Explain.....

7. What is the DA doing to reduce overdependence on external remittances?
 Explain.....

8. Does the DA have access to loans and other forms of credit financing?
 Explain.....

SECTION B: RESOURCE ALLOCATION

9. Do you have a functional Budget Committee in place?

[Yes]
[No]

 List of members at post and their designations?

1. _____
 2. _____

3. _____
 4. _____
10. How many budgets do you prepare in a year and why?
11. Name them.....
12. Is there a Guideline for the preparation of Composite Budgeting? Has your District complied with these Guidelines? [Yes] [No]
13. If no, why ?

14. Do you have a functional DPCU? [Yes] [No]

Membership			
Name	Designation	Name	Designation
1.		6.	
2.		7.	
3.		8.	
4.		9.	
5.		10.	
		11.	

15. Is your Medium Term Development Plan (MTDP) prepared according to the National Development Planning (NDPC) Guidelines?
.....
.....

16. Who determines local priorities and how do you allocate resources in DA?
.....
.....
.....

17. Are the local people and communities involved in plan and budget preparation?
.....
.....
.....

18. What is the nature and extent of their involvement?
.....
.....
.....

19. Are local plans and budgets interfaced to provide a link for plan formulation, implementation and monitoring? (MTEF)
How?
.....
.....
.....

20. Is your budget the aggregate of the central administration and the decentralized departments?
Explain (how this is done)
.....
.....
.....

SECTION C: RESOURCE UTILIZATION

21. Please provide the expenditure figures for the following years as indicated in the table

EXPENDITURE TABLE (2)

	2000		2001		2002		2003		2004		2005		2006		2007	
ITEM	EST.	ACT.	EST.	ACT.	EST.	ACT.	EST.	ACT.	EST.	ACT.	EST.	ACT.	EST.	ACT.	EST.	ACT.
CURR.																
P.																
NOR																
CF																
IC																
R.																
TAL																

22. Are expenditures incurred according to priorities expressed in the annual action plan or budget?

[Yes] [No]

23. What systems are put in place to ensure effective control of expenditures?

24. How many departments are functionally operational in the district?
 Number..... List

25. Can you describe briefly the procedure for funds disbursement?

.....

SECTION D: INSTITUTIONAL CAPACITY

26. Do you have an organogram of local government administration?

- [Yes] [No]
27. Describe the working relationship between the following people: DCE, DCD, DFO, DPO and the DBA, with the following figures; { 2- Very cooperative, 1- Cooperative, 0- Neutral, -1- Not cooperative, -2- Not Very Cooperative }.

WORKING RELATIONSHIP TABLE (3)

	DCE	DCD	DPO	DBA	DFO
DCE	X				
DCD	X	X			
DPO	X	X	X		
DBA	X	X	X	X	
DFO	x	X	x	x	X

28. Are the technical departments such as public works, finance, audit, environmental health, planning and budget well staffed?
29. Please complete the following table on human resource development in your district.

HUMAN RESOURCE DEVELOPMENT TABLE (4)

	HUMAN RESOURCE		QUALIFICATION			
	NO. REQ.	NO. AT POST	UNIVERSITY DEGREE	TRAINING COLLEGE	POLYTECHNIC	OTHERS
ADMIN.						
FINANCE						
BUDGET/PLANNING						
WORKS/HEALTH						
AUDIT						
TOTAL						

30. What is the nature of the incentive or reward system?
31. Are staff well motivated?
32. Are training workshop organized for workers? How many per year, for whom and by which agency?

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FACULTY OF PLANNING & LAND ECONOMY
DEPARTMENT OF PLANNING**



MSC. DEVELOPMENT POLICY AND PLANNING

**TOPIC: THE IMPLEMENTATION CHALLENGES OF COMPOSITE
BUDGETING IN DECENTRALISED DEVELOPMENT PLANNING IN
GHANA: A CASE STUDY OF SELECTED DISTRICTS.**

**This is purely an academic exercise and the information obtained from you will be
used solely for that purpose and therefore will be treated as confidential as possible.**

GENERAL INFORMATION

NAME OF DEPARTMENT.....

DATE OF INTERVIEW.....2008...Start Time.....End Time.....

POSITION IN THE DEPT.....QUALIFICATION.....

AGE.....

MARITAL STATUS.....

SEX OF RESPONDENT

[M]

[F]

8. How are your budgets and plans prepared and why?
9. Are you a member of the DPCU? What role do you play?
10. Apart from this, what other committees do you serve on?

11. HUMAN RESOURCE AND QUALIFICATION TABLE (1)

DEPARTMENTS	HUMAN RESOURCE		QUALIFICATION			
	NO. REQ	NO AT POST	UNIVERSITY DEGREE	POLYTECHNIC	TEACHER TRAINING	OTHERS
GES						
GHS						
MOFA						
C'DEV'T						
BIRTH/DEATH						
SOC. WELFARE						
TOTAL						

12. What do you have in common with the District Assembly (DA) in terms of the selection and implementation of projects and programmes in the district?
13. What are the major problems you do have with the DA in the preparation and implementation of composite budgeting in the district?
14. Was there a situation where there was a duplication or wastage in your developmental efforts in the district?

SECTION E (DAs, DEPTs, MINISTRIES)
THE IMPLEMENTATION CHALLENGES OF COMPOSITE BUDGETING
*Use the following Responses to answer the following issues
on Budgeting from 1 to 16*

- A. Strongly agree
- B. Agree
- C. Uncertain
- D. Disagree
- E. Strongly disagree

i. In reality local governments as well as other institutions use Budgeting to:

- 1. Ensure sound financial management
- 2. Match revenue with expenditure
- 3. Ensure sound implementation of policy
- 4. Meet the statutory requirements
- 5. Show the total inflow and outflow of resources
- 6. Means of securing funds

ii. The problem with Composite Budget preparation is:

- 7. Lack of involvement and participation
- 8. No proper definition of roles
- 9. Poor communication or coordination
- 10. Lack of data
- 11. Lack of commitment
- 12. Lack of understanding of the budgeting process

iii. The problem with Composite Budgeting implementation is:

- 13. Inadequate internal revenue generation
- 14. Inadequate external inflows
- 15. Political manipulations
- 16. No linkage between budgets and activities

iv. What do you think the implementation challenges of composite budgeting are? (Tick one)

- 17. Lack of political capacity
- 18. Lack of fiscal management capacity
- 19. Lack of administrative capacity

THANK YOU