

**THE MOBILIZATION OF INTERNALLY GENERATED FUND AND ITS  
EFFECTS ON LOCAL ECONOMIC DEVELOPMENT IN THE WA  
MUNICIPALITY**

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By

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## DECLARATION

I hereby declare that this write-up is my own work towards the M.Sc. Development Policy and Planning and, 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 acknowledgement has been made in the text.

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## **ABSTRACT**

The study examined how IGF collection impacts on Local Economic Development. The case study research design was used to conduct this study. The Wa Municipality was selected as a single case. This study made use of questionnaires in order to obtain data from the diversity of respondents. Cluster sampling technique was used to select six (6) communities. Purposive sampling was used to select household heads as respondents to provide data for this study. The Wa Municipal Assembly has implemented, supported and facilitated the construction of infrastructural projects in the areas of roads, market facilities, Lorry Park, and the extension of electricity to communities. Provision of some level of business development services as well as skills training, counseling for businesses and individuals though on a limited scale is being achieved. Data from the Municipal Assembly indicates that other ways of increasing the performance of IGF is the outsourcing of IGF collection to private collectors. This is aimed at improving performance while at the same time providing job for the private sector. However, the limited IGF collection by the Assembly hinders the implementation of interventions. Also, the assembly's revenue collectors have embarked on measures such as locking of shops and seizure of goods which are inimical to the development of local businesses and entrepreneurs.

The study recommends that the Assembly should make its local contracts more accessible to artisans by making the bidding process more flexible so that local entities can bid for these contracts. It could also collaborate with the National Board for Small Scale Industries under the Rural Enterprises Project to provide business training, counseling and capital for business start-ups and expansions. This would enhance employment generation and improvement in income which will in turn provide avenues for revenue mobilization. It is also recommended that it embarks on revenue collection campaigns by educating the public on their obligations. This could be done by using religious and opinion leaders, as well as traditional authorities.

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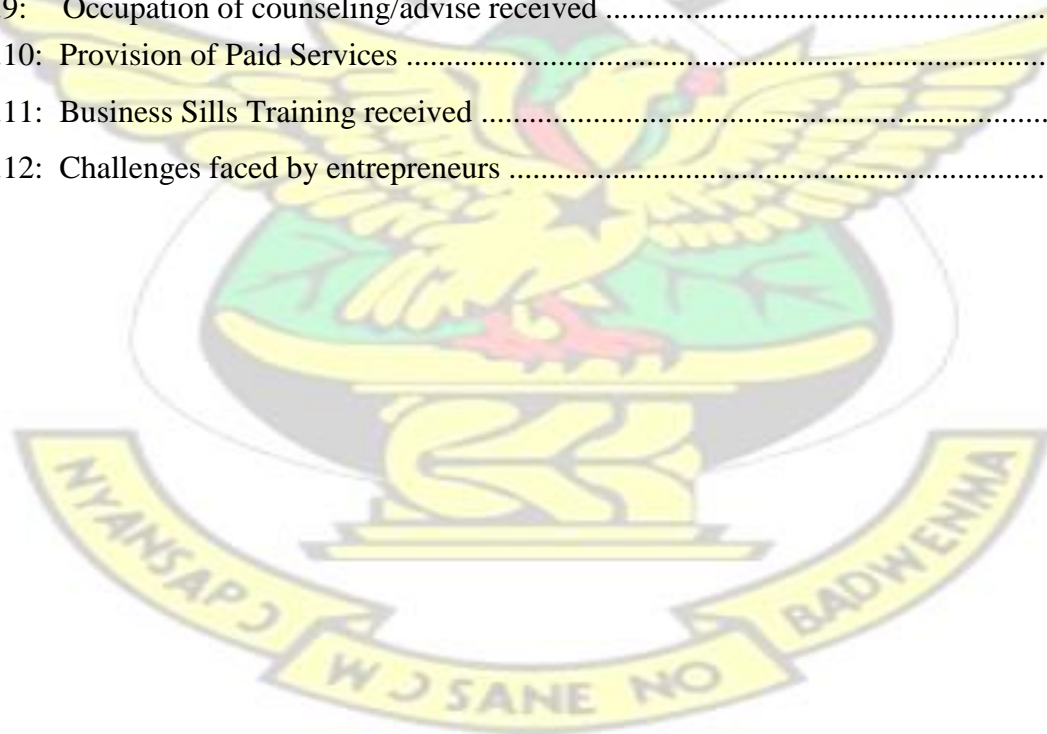
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## **LIST OF ACRONYMS**

BDS	Business Development Services
DACF	District Assemblies Common Fund
DDF	District Development Facility
DMTDP	District Medium Term Development Plan
FOAT	Functional and Organizational Assessment Tool
GSS	Ghana Statistical Service
IGF	Internally Generated Fund
ILO	International Labour Organization
IMF	International Monetary Fund
LED	Local Economic Development
MMDA	Metropolitan, Municipal, and District Assemblies
NBSSI	National Board for Small Scale Industries
PHC	Population and Housing Census
REP	Rural Enterprises Project
SME	Small and Medium Enterprises
SSNIT	Social Security and National Insurance Trust
TCPD	Town & Country Planning Department
UDG	Urban Development Grant
UDS	University for Development Studies
UNHCS	United Nation Commission on Humanitarian Services
UWR	Upper West Region

## **CHAPTER ONE: BACKGROUND OF THE STUDY**

### **1.1 Introduction**

Local economic development (LED) has gained currency in Africa in recent years as a much better option to improvement in living conditions at the local level. Nongovernmental organisations and development practitioners are increasingly focusing their attention on strategies which build upon local knowledge, skills and resources (Nel & Tony, 1999). Filion (1991) believes that, Municipal/Local governments tend to take the leading role because of the legitimacy associated with their representation system and their financial resources, which generally exceed those of other community organizations. The inability of the central government to promote the desired level of development at the local level and the greater need for local involvement and participation has resulted in the spread of decentralization and local governance across Africa.

Decentralization and local governance in Ghana date back to the colonial era. Under the Ghana's decentralization process, Metropolitan, Municipal and District Assemblies were established and charged, as the local planning authorities, with responsibility for the overall development and governance of their area of jurisdiction (Akudugu, 2012). Chapter seventeen of the 1992 constitution outlines the functions of the District Assemblies as the formulation and execution of plans, programmes and strategies for the effective mobilization of resources necessary for the overall development of the District, and the levying and collection of taxes, rates duties and fees. The Local Government Act 1993 Act 462 further elaborates on the composition and functions of the Metropolitan, Municipal and District Assemblies.

One important component of decentralization that ensures sustainability of local governments is fiscal decentralization. The effectiveness of decentralization depends greatly on the ability of the local government structures to obtain the needed financial resources to perform their functions. Implementation of development programmes and projects at the local level by decentralized institutions will be hindered without fiscal decentralization (Dick-Sagoe, 2012: 229). Ahwoi, (2010: 165) asserts that there is a continuity of functions being offloaded to local governments which do not match the resources needed to perform such functions.

The promotion of LED by the local government/assembly is therefore to a large extent dependent on the level of Internally Generated Fund and other sources of funds.

## **1.2 Problem Statement**

One of the key arguments in favour of decentralization is the ability to enhance revenue generation at the local level and, thus, to ensure that local governments are adequately resourced. With enough resources, proponents of decentralization believe, local governments can provide the necessary infrastructure and services to ensure rapid poverty reduction.

The needed funds for administering the local Assembly and for investments are obtained from taxes. Taxes offer crucial avenues for financing Assemblies which is complementary to funding from central Government and other donors agencies. The mobilization of Internally Generated Funds can either promote or serve as a hindrance to implementation of development programmes. The provision of infrastructure such as roads, water facilities, electricity, and business development services are undertaken with these funds.

However, internal revenue mobilization in most of the Assemblies in Ghana is a major challenge. The revenues generated are barely sufficient to meet the recurrent expenditure of these Assemblies much less to embark on investment activities. Just about 8-10 % of the Wa Municipal Assembly's annual budget is funded from internal sources. The over reliance on external sources of finance inhibits successful execution of annual action plans due to delay in transfers and shortfalls in expected funds transfers (Wa Municipal Assembly, 2009). The implication of this situation is that development activities are negatively affected.

The necessary infrastructure needed to boost economic development are generally inadequate or even lacking due to inability by authorities to provide and maintain them. Road network and conditions are in a deplorable state (Wa Municipal Profile, 2013). Some even become completely unmotorable during the rainy season therefore cutting off communities. As a result of these circumstances, businesses are obstructed and the inability of farmers to transport their produce to marketing centers for sale results in huge losses and shortage of essential food stuffs.

There is also poor and haphazard physical development in most communities in the Municipality due to improper citing of structures, there is disorderliness which has negative economic repercussions. The Municipality has not been able to mobilize and utilize the economic and tourism potentials available in the area to its advantage and that of the peoples. This stems from the fact that, they have not been able to support and strengthen economic entities in their jurisdictions, though these form the largest source of their tax and revenue base. The Assembly through conscious and or unconscious efforts has put impediments in the way of economic entities through various ways including double and over taxation. Bahiigwa et. al (2004) as cited in (Hilhorst & Lodenstein, 2008) asserts that too much imposition of taxes may strain relationships between duty bearers and private sector actors.

The failure of the Assembly to fashion out strategies to confront the multiplicity of obstacles has resulted in low entrepreneurial knowledge, and culture, ineffective support systems, limited access to financial and business development services, challenges confronting the availability of space, and numerous other barriers resulting in unemployment, low income and wide spread deprivation and poverty as well as rural-urban migration. The questions then are why has the Municipality not been able to enhance business activities, how is the IGF collection impacting on the lives of the citizen, what is the situation like with regards to the level of mobilization. These questions require detailed investigation.

### **1.3 Objectives**

- ❖ To examine the strategies used in Internally Generated Fund (IGF) collection in the Wa Municipality;
- ❖ To discuss effects of IGF mobilisation on Local Economic Development;
- ❖ To make recommendations on using IGF for promoting local economic development.

### **1.4 Research Questions**

Some of the questions this study sought to answer include:

- What are the strategies used in the mobilisation of IGF in the Municipality?
- How is the IGF collected, used?
- What are the effects of IGF mobilisation on Local Economic Development?



### **1.5 Scope**

The study specifically targeted households within the Municipality with regards to how IGF collection is promoting or hindering local development initiatives such as farming, local business development, and employment generation. This is in view of the fact that the household heads were of different backgrounds with regards to their occupation including farmers, artisans traders and public officials. This makes these respondents relevant for the research.

### **1.6 Justification**

This study focused on the effects of revenue generation on local economic development in the Wa Municipality, the only municipality in the Upper West region. The study provides empirical findings with regards to the topic which add up to the existing body of knowledge in this field.

Findings from this study are relevant to District Assemblies, Ministries, NGOs, and business operators within the realm of revenue mobilization. Recommendations made provide lessons on effective methods of revenue collection. This ensures that revenue generation improves thereby enabling the Assembly improve the living economic conditions of the populace and reducing the incidence of unemployment.

Moreover, the Assembly is in the better position to provide the necessary social and economic infrastructure and services to its citizens. The provision of these services serves as a catalyst for addressing some of the social problems such as conflicts diseases, illiteracy, among others.

### **1.7 Organisation of the report**

The study consists of five chapters. Chapter One forms the introductory aspect of the study. This includes a general background to the study, the problem statement, and justification of the study, goals and objectives, research questions, scope of the study, limitation and organization of the study. This chapter puts the study in perspective and gives direction as to how the study was conducted.

In the second chapter literature on main concepts which forms the theoretical bases of the study were reviewed. The essence of this chapter was to examine other studies conducted in this field which would serve as reference point for this research. Key concepts appropriate to the study such as development, local economic development,



decentralization and local government, fiscal decentralization, and Internally Generated Fund, are discussed.

Chapter Three examines the profile of the study area-Wa Municipality and the methodology of the study which encompasses the research design, sampling methods, sources of data collection, and data collection methods. Data presentation and comprehensive analysis of the effects of the mobilization of Internally Generated Fund on Local Economic Development is presented in Chapter Four. Chapter Five finally summarizes the findings of the study, offer recommendations and viable suggestions necessary for policy and further studies.

### **1.8 Limitations**

As with all studies of this nature the study suffered some challenges. Paramount among these limitations was difficulty in obtaining data from officials of the Assembly. This was due to the busy schedule of officers. It took a longer time to obtain data from the officials which delayed the analysis. Moreover, the study faced the challenge of language barrier with regards to the administration of questionnaires. A lot of the respondents were not literates and therefore could not understand English language. This made questionnaire administration very difficult. Interpreters were therefore used in those circumstances to translate the questions and responses. This prolonged the durations of the interaction with the respondents.

## **CHAPTER TWO: CONCEPTUAL OVERVIEW OF LOCAL GOVERNMENT AND LOCAL ECONOMIC DEVELOPMENT Introduction**

This chapter discusses some of the definitions of major concepts in the research. These include development, IGF and local economic development. It also examined the theoretical bases of the study. Some of the Theories in the include location theories, central place theory, neoclassical economic theory, economic base theory and endogenous development theory.

### **2.1 Development**

Development is a concept that does not lend itself to any easy definition. There are so many definitions of the concept of development as there are many authors. Earlier definitions in the 1950s and 1960s of the concept focused much attention on economic variables such as per capita income and Gross National Income (Todaro and Smith,

2011). Todaro and Smith (2011), define development in the traditional economic sense as attaining sustainable per capita income growth rates that ensures increase in a country's output at a faster rate than its population growth. The overall economic well-being of the entire nation is determined by real per capita gross national income (GNI) growth rates—the amount of real goods and services available to the average person for purposes of consumption and investments (Todaro and Smith, 2011:14).

In the 1950s and 1960s, a lot of developing countries attained their economic growth targets, however; the standard of living of many of their citizens never improved or even grew worse (Todaro and Smith, 2011). This experience pointed to the fact that all was not well with this parochial definition of development. A growing number of economic and policy experts spearheaded more focused critique on widespread absolute poverty, persistent income inequalities, and increasing unemployment (Todaro and Smith, 2011). Consequently, new and more refined definitions emerged in the 1970s; this time taking into consideration some of the social problems facing society-inequality, poverty and unemployment.

Myrdal (1974:279) —defines development as moving the entire social system upward. This system encompasses all non-economic factors aside the economic variables, consisting of all kinds of consumption by different categories of people; consumption obtained collectively; educational and health amenities and levels; the distribution of power in society; and more generally economic, social, and political stratification; and broadly, institutions and attitudes-to which we must add as an exogenous set of factors induced policy measures applied in order to change one or several of these endogenous factors (Myrdal, 1974: 279). From the foregoing arguments put forward by Myrdal (1974), it can be concluded that any process of development must not only focus on the economic indicators but also the social indicators as well. The end result of any development must improve the well-being of the masses. Thus issues of unemployment, poverty, inequality among others must be of central concern in any discussion of development.

Dudley Seers put forward the fundamental questions about the meaning of development as quoted by Todaro and Smith, (2012:15) as:

The questions to ask about a country's development are therefore: What has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all three of these have declined from high levels, then

beyond doubt this has been a period of development for the country concerned. If one or two of these central problems have been growing worse, especially if all three have, it would be strange to call the result —development— even if per capita income doubled.

The first concern is to redefine the whole essence of development. This concern must not be the development of things but the development of man. The basic human needs are: food, shelter, cloths, health, education and any growth processes that do not fulfill or, even worse, disrupts them - is a travesty of the idea of development (Todaro and Smith, 2012).

## **2.2 Local Economic Development**

The field of Local Economic Development (LED) is a complex mix of concepts, practices and rhetoric (Rowe, 2009: 3). The essence of LED is to increase the economic ability of a locality to enhance its socio-economic future and the standard of living for all people. It is a process where by public, businesses and nongovernmental sector actors work together to ensure better conditions and employment creation for people (World Bank, undated). According to Blakely and Green (2010), LED is attained when a Locality's state of well-being can be sustained and improved through a process of human and physical enhancements that are based on principle of equity. This definition outlines three basic elements. It must bring about a better condition of live for people and then ensures that it increases over time. Also, inequality in society must be reduced, and finally, it encourages the sustainable use of resources and in production. The concept is a complex process that is created from the mixture of entrepreneurship, education, and technical know-how of the locality, driven mainly by market forces. Added to this is an essential component of an enabling business climate and a supportive regulatory framework. LED is a process in which local authorities, community and civic groups and private sector enter into partnerships to manage existing resources to generate employment and stimulate the economy of a given locality. It stresses local control, using the potentials of human, institutional, physical, and natural resources (Turvey, 1999). Its initiatives mobilize stakeholder, organizations and resources; develop new institutions and local systems through dialogue and collective actions (Helmsing, 2003).



The concept is coterminous with bottom-up development and local initiatives for locality planning and program development and is variously linked with anything local – from capacity building, to community participation and development intervention, and has gained much support as a means to mitigate problems posed by economic restructuring, and global competition in the world economy (Turvey, 1999). It is hailed as a grass-roots alternative, a complement to senior governments' regional development programmes, and a means for communities to increase control over their economies (Filion, 1991).

Mitchneck (1995), posits that, fiscal crises, economic restructuring, and fundamental changes in central-local economic relationships, has resulted in local governments in capitalist economies becoming more engrossed in seeking resources for local economic development

Nel and Tony (1999), states that evidence from rural Africa show that, citizens of the world's poorest countries are becoming more dependent on indigenous technical skills, production systems and livelihoods, and the emergence of non-Western forms of LED as a survival strategy. Unlike the south, LED in poorer countries can be argued to takes on a much more rudimentary form due to limited technology, resources and external support (Nel & Tony, 1999).

### **2.3 Theories of Local Economic Development**

Local Economic Development is considered an evolving field and needs to be differentiated from economic growth. The theories that have explained regional or LED historically have not made clear the distinguishing features (Blakely and Green, 2010:76). Malizia and Fester (1999) cited in Blakely and Green (2000) believe that theory offers the underpinning principles that explains the relationships we observe and thereby motivates and informs our action. Two distinctions have been made as to whether the theories focus on growth or development. Growth theories are those that focus on the short-term expansion of the local economy and comprise economic base and neoclassical economic theories. Development theories on the other hand are those that focus on the long-term process of evolutionary and structural transformation of an economy and include, staple and entrepreneurship theories (Malizia and Fester, 1999: Blakely, 2010). Strategies that communities employ are not fully articulated and wellgrounded in theory. (Teitz, 1987)

### 2.3.1 Neoclassical Economic Theory

Neoclassical theory asserts that all economic systems will attain a natural equilibrium if capital can flow without any form of hindrance from high-wage/cost to low wage/cost areas since low-wage/cost offer a higher return on investment (Blakely and Green, 2010). The assumption is that if the model worked as expected, then all areas would gradually reach a state of equilibrium in the economic system. Much of this rationale has under laid the recent wave of deregulation of banking, airlines, utilities and similar services. In theory all areas can compete in a deregulated market. These theorists are said to oppose any form of government or community regulation on the movement of firms from one area of the nation to another, or even to other countries. The theorists are also in opposition to any firms such as those requiring minority or local equity participation that could make it less advantageous for firms to locate in an area. Such regulations are seen as disrupting the normal and necessary movement of capital (Garofoli, 2002). The argument put forward by the theory is that uncompetitive or dying firms should not be helped and workers who lose their jobs as a result should move to new employment areas as a further stimulus to development in such places. These theories have been tested in the United States and other countries. In developing countries, the IMF, which oversees international emergency loans to nations, has required national Governments to divest themselves of controls of assets and to reduce market and currency controls (Bartik, 2003).

However, many proponents of regional development advocates reject the neoclassical theories and the policies derived from them. Blair (1995) argues that the development promoted by such theories should not mask the fact that there are often some groups that will benefit from growth more than others. Detractors of the IMF policy for example, point to the increasing gap between the rich and poor in countries with deregulated economies to suggest that market is not evenhanded in allocating resources and that some Government controls and interventions are essential to deal with inequalities (Blakely, 2010). Useful lessons from these theories are that, in a market society, all localities must ensure that they use their resources in a way that attracts capital and that artificial barriers and poor business climate serve as hindrance to economic development. Also, communities and disadvantaged neighbourhoods can obtain the resources needed to help them to attain an equilibrium status with surrounding communities. This could be achieved through upgrading commercial



properties and offering training and other programmes that enhance the value of local labour.

### 2.3.2 Economic Base Theory

The Economic Base Theory postulates that there is a direct relationship between a locality's economic growth and demand for its goods, services, and products from areas outside its local economic boundaries (Blakely, 2010). The expansion of industries that produce goods and services for export elsewhere with local resources (including labour and materials) will create local wealth and employment. The local economic development initiatives that emerge from this theory emphasize priority of aid to and recruitment of businesses that have a national or international market over aid to local services or non-exporting firms. Implementation of this model includes measures that reduce barriers to the establishment of export-based firms in a locality, such as tax reliefs and subsidy of transport facilities and telecommunication, or establishment of free-trade zones. It is argued that export firms have higher job multipliers than local service firms. This model is useful in understanding how a local economy grows or declines from changes in external demand for the goods and services it sells to the outside world. A key weakness of the model is that it relies on satisfying external rather than internal demands (Blakely and Green, 2010).

### 2.3.3 Location Theories

Location theories seek to throw light on how firms choose their locations, and thus they also provide explanations for how local economies grow or decline. Firms maximize profits by choosing locations that minimize their cost of production and of transportation of goods to market. Early location theories focused on whether the product a firm created gained or lost weight in its production process, thereby either increasing or decreasing the transport cost of the final product relative to the inputs from which it was created. To minimize transport costs, a firm with a final product that weighs less than its inputs will locate at the source of the inputs and ship the final product to market. Such firms are labeled as weight losing or input oriented in standard economics. If the final product created by a firm will locate at its market, transporting the inputs required for production. Such firms are market oriented or weight gaining.

### 2.3.4 Central Place Theory

Central Place Theory is a variant of location theory that is most applicable to retail activity. According to this theory, each urban center is supported by a series of smaller localities that provide resources (industries and raw materials) to the center, which is more specialized and productive. These smaller places are in turn surrounded by even smaller places that supply and are markets for the larger place. The urban center contains specialised retail stores that serve the entire region. When residents of a very small place need a specialized product or service they must go to the central place, though they can find many less specialized products and services in their own locality. Regional Development models for rural areas have relied heavily on Central Place Theory to guide resource allocation, on the assumption that the development of a central place will have a trickle-down effect by enhancing the economic well-being of the entire region.

Central Place Theory has relevant application for both urban and rural local economic development. It is necessary, to differentiate the functions of various neighbourhoods so that they can remain viable centers. Some areas will become regional core cities serving an entire region; others will be smaller villages or towns that serve only the local resident community. Local economic development specialists can assist communities or neighbourhoods to develop their functional role in the regional economic place hierarchy and electronic hierarchy.

However, Central Place Theory is unable to explain why within major market areas, individual neighbourhoods can be seriously lacking in retail services. This is particularly the case in low income and minority neighbourhoods.

#### 2.3.5 Endogenous Development

The approach of endogenous development allows for a positive definition of rural areas in economic terms because it stresses the importance of local factors in the absence of agglomeration (Margarian, 2011). Endogenous development guarantees autonomy of local economic transformation by underlining the centrality of the decision-making process local actors and their capacity to control and internalize external knowledge and information, and by generally assuming a self-sustaining process of development (Garofoli, 2002). Martin and Sunley (1996) in Margarian (2011), note that endogenous development has a similarity with locally-based.

In the view of Slee (1993), endogenous development has emerged as a powerful idea in development thinking and might be seen to have a number of distinguishing features such as local determination of development options, local control over the development process, and the retention of the benefits of development within the locality.

The endogenous development theory is of relevance and situated in local economic development promotion and the roles of local governments. This is because its emphasis is on endogenous development policies which make use of potentials and existing local resources including human, institutional and physical to create jobs and promote the development of specific local areas. It is also a participatory process which involves various stakeholders within a spatial unit working together to achieve progress.

#### **2.4 Role of local Government in Local Economic Development**

All local government activities arguably affect Local Economic Development in one way or the other. However, local economic development policy is usually defined more narrowly as special activities, undertaken by public or private groups, to promote economic development.

Economic development programmes can be categorized into two activities namely, providing customized assistance targeted at individual businesses that are thought to provide greater economic development benefits and strategic initiatives in which more general tax, spending, and regulatory policies of government are changed to promote local economic development (Bartik, 2003).

Even without the government interventions, Local Economic Development will often take place. However, LED programs arguably contribute to increase the quantity and quality of Local Economic Development (Bartik, 2003). Research on the role of the state in local economic development has recognized the declining role of the central government over the last 15 years and the increasing importance of local initiatives (Wilson, 1995).

In Ghana, Metropolitan, Municipal and District Assemblies perform a myriad of roles in the development of their areas of jurisdiction. Broadly, they undertake deliberative, legislative and executive functions. Assemblies are in charge of the overall development of the area by preparing and implementing comprehensive development plans and budget to ensure development. The Assemblies also play significant roles in the



formulation of plans, programmes, and initiatives for the effective mobilization of resources for the overall development of their areas.

Promoting and supporting productive activities and social development in the District or municipality is a core mandate of the Assembly. Supporting social development and productive activities are cardinal elements of any efforts in promoting Local Economic Development. Besides, The Assemblies are expected to initiate programmes for the development of basic infrastructure and service provision (Ahwoi, 2010). Also, they co-ordinate, integrate, and harmonize the execution of programmes and projects and other development programmes promoted or carried out by organizations and development partners. As District Planning Authorities, the Assemblies have a role to play in the development control of the area. They are responsible for orderly developments in the towns and communities and management of human settlements and the environment in the District. District Assemblies under Decentralization in Ghana are expected to promote socio-economic development at the sub-national level which is emerging as the most pressing need of local people. This function of promoting socio-economic development requires financial resources. This has led to calls for fiscal decentralization to make resources available for the Local governments to perform their functions effectively (Akudugu, 2012).

Fiscal decentralization is certainly the life-wire of the entire decentralization process in all parts of the world. Under Ghana's, fiscal decentralization process, the local authorities have two broad sources of revenue; the transfer of financial resources from the central government to the District Assemblies in the form of grants, and the legal mandate given to District Assemblies to mobilize revenue locally. This is intended to widen the scope of revenue to the District Assemblies to enable them effectively carry out their mandate.

Obeng-Odum (2012), sees the problem with local government finance in Ghana as not only increasing the amount of locally generated revenue but also ensuring that the existing local revenue collected is expended so as to ensure a reduction in income inequality and poverty levels at the local level. The nature of revenue collection is a source of concern. Though local governments in Ghana have the power to levy property rates, little is actually collected even though property is disproportionately owned by wealthy citizens in society.

## **2.5 Sources of Revenue to Assemblies**

The financial provisions for the Local Government system are contained in Article 245 and 252 of the Constitution and section 34, Part VII, Part VIII, Part IX and Part X of the Local Government Act. Revenues from those sources may be categorized as:

- a. Locally Generated or Internally Generated Fund
- b. Central Government Transfers.

Internally Generated Funds are derived from six main sources-rates, lands, fees, licenses, trading services and miscellaneous sources.

### **2.5.1 Rates**

The District Assemblies are rating authorities in the District. There are general and special rates depending on the purpose. A general rate can be property rate or rate on possessions levied on landed properties and payable by owners of properties. The amount payable depends on the value of the property. In the urbanized areas, property rate form a very important sources of revenue whiles it is insignificant source to rural areas (Ahwoi, 2010). A special rate on the other hand is levied on a specified area for the purpose of a special project approved by the Assembly. A special rate may be a basic rate which is a basic amount payable by all persons above the age of eighteen years who reside within the area or on property owners within the area. The Assembly has the mandate as contained in the Local Government Act, 1993, Act 462 to charge rates. The collection of rates can also be outsourced to private collectors to ensure efficiency.

The collection of rates by the local government is however not without challenges. These include inadequate data on existing rateable, all economic entities and the list of properties and their owners in the municipality that could be taxed. Property owners also default in paying property rates approved by the local government due to their non-involvement in the fee fixing process. Due to the absence of an advance system of revenue collection in the form of automated revenue collection systems, revenue collectors are able to take advantage of the loop holes in the revenue collection process to dupe the local government by under reporting what is actually collected. Again the revenue collectors are not well equipped in terms of skills and logistics to be able to collect revenue effectively in the municipality. It is therefore high time that the Wa Municipal Assembly took a new look at internal revenue generation to meet the needs



of the Municipality. Moreover, proper valuation of properties within the Assembly has not been done. As a result the right rates cannot be applied to properties leading to low level of collection and sometimes over taxation of properties(Wa Municipal Assembly, 2013).

#### 2.5.2 Fees and Charges

Another source of Internally Generated Fund is fees. Sources of fees and charges include:

Cattle pounds, slaughterhouses, market tolls, trading kiosks, among others. There are weekly and daily markets, numerous cattle, and trading kiosks available for the collection of fees and charges. There is the legal backing for the collection and utilization of such revenues from fees and charges. Sub-District structures together with revenue collectors as well as commission collectors help in the mobilization of IGF through fees and charges. The difficulty in collection of fees and charges is the absence of credible data. Furthermore, the non-cooperation of the citizenry in paying fees and charges is another issue worthy of note. In the markets, traders sometimes evade the payment of market tolls. Interestingly some revenue collectors also engage in embezzlement by collecting some of the goods being sold in place of the tolls which do not come to the Assembly. Improper use of value books by some revenue collectors also lead to revenue leakages. In some instances the collection cost far outweighs the amount collected; some of the revenue sources are unproductive.

#### 2.5.3 Licenses

Licenses are issued on a wide range of items and activities. These include dogs' licenses, hawkers' licenses, beer and wine sellers, petroleum installations, lorry parks, Artisans etc. Legally, businesses are required to obtain the requisite licenses before they operate both at the national and local levels. This gives the Assembly the opportunity to issue licenses and generate revenue. The challenge however, has been the non-existence of a database of all businesses which are required to obtain licenses. Again evasive tendencies by some businesses and organizations pose a challenge to the Assembly in the collection of licenses.

#### 2.5.4 Trading Services

Undertaking trading services is another source of revenue to the Assemblies. Some of these include Restaurants and guest houses for public use at a fee, Hiring of chairs and

canopies, hiring of venues for meetings, Tractor services among a host of others. The Assemblies have funds that can be used to undertake some investment activities. For instance the District Assemblies Common Fund can be used to purchase tractors for commercial use, putting up of guest houses, and restaurants which have the capacity to generate revenue. The rates charged by the Assemblies for their services are mostly below the commercial rate. This makes the Assemblies services the preferred option for the general public. In this regard, revenue generation can be enhanced with the right management structures. However, one of the weaknesses of the Assemblies in engaging in trading activities is the management. Mismanagement is responsible the collapse of most of the investment activities of the Assemblies such as tractor services, guest houses tipper trucks, restaurants etc.

## **2.6 Local Economic Development Initiatives**

Local Economic Development (LED) has changed drastically in context among developing nations in general and Africa in particular. Filion (1991) argues that the concept has received much attention in recent times as it is portrayed as "bottom-up" alternative to the "top-down" regional development initiatives carried out at the national level. This change is as a result of structural adjustment and market liberalization. Local governments play the leading role because their resources exceed other local organisations and the legitimacy associated with their operations owing to their representation system. They have to provide the right mix of local initiatives to facilitate other stakeholders like communities, enterprises, workers and NGOs, to make their most productive contribution.

Three distinctive categories of LED initiatives are broadly outlined as: community economic development, enterprise development which comprises of initiatives that directly target and involve cluster(s) of enterprises. The third category is locality development. This involves the planning, development, and management of the overall economic and physical conditions of a locality.

### **2.6.1 Community Economic Development**

The aims of Community Economic development are:

- (i) Stimulation of community's sense;
- (ii) promote empowerment and self-help;
- (iii) The creation of self-employment;

(iv) to improve living and working conditions in communities; and (v) to generate public and community services.

#### Components of Community Economic Development Programmes

- (a) Creation of local safety nets: One of the fundamental manifestations of poverty is that people are unable to withstand economic shocks of any kind. Providing local safety nets and minimising insecurity is a key factor for increasing better conditions for Local Economic Development. Financial safety nets can be generated through the formation of savings and loans groups to meet income emergencies.
- (b) Housing improvement and settlement upgrading: This usually involves a package of activities and services to improve settlement design.
- (c) Basic service delivery: A strategy for the restructuring of basic services delivery by determining which services come into the realm of community enterprise and those that need to be privatised.
- (d) Stimulation of community's economy: In the local economic setting, households perform three functions- as consumers, micro-entrepreneurs and workers (Wils and Helmsing, 2001). They act individually and as organized groups that have an interest, such as a consumer groups, service user association, workers cooperative or producer association. Small and Medium Enterprise programmes constitute the crux of community economic development. Such programmes comprise parts such as credit, training and technical assistance and marketing. A special category of training concerns training of small and medium enterprises (SMEs) as contractors and supplier of basic public services. As local governments also gradually move towards contracting out of public services, there is also the need for contracting out to SME's and community enterprises. In the labour market, some level of success can be chalked by enhancing the employability of community members. An important sector for community-based economic development is the construction sector which is labour intensive. Also, materials for construction mostly have a high local content. Quite considerable local employment and income generation can therefore be achieved. Programs for new small enterprises include entrepreneurship training, small business advice, business incubators, and capital market programs. Entrepreneurship training programs provide training in developing business, marketing and financing plans.



### 2.6.2 Components of Enterprise Development

The crux of any Local Economic Development programme involves the expansion, and restructuring of the locality's economic base. This consists of a single or several clusters of local producers. Initiatives by local producers can take two directions: (a) strengthening the cluster formation process along the lines outlined above; (b) enhancing the participation of new investment of existing local producers in the commodity chains, or by targeted attraction of external enterprises, or both. For local producers to have access to external markets, they require specialist Business Development Services (BDS) to enable them to gain requisite knowledge. Local governments procure goods and services as well as tendering for infrastructure development. They may outsource the construction and rehabilitation of public facilities such as drilling of boreholes, markets, and even tax collection to local businesses and entrepreneurs. Local government can be an important customer for the private sector, and this can guide economic growth and employment creation in the local economy. Even though Local Government procurement can be used to promote local enterprises, it must be done within the confines of the procurement law.

### 2.6.3 Locality development

When a local economy develops a certain export base, it results in a buildup of infrastructure geared to enhance it. These enable a locality to improve basic conditions for the economic activities to remain competitive and expand. Locality development consists of the planning of the infrastructure and other important economic and social overhead capital in a way that creates balanced development. It relates to the management of the local area in order to minimize land use conflicts and maximize positive externalities. Localities that ensure proper management of their territories improve local quality of life and competitiveness of economic enterprises.

#### 2.6.3.1 Components of locality development

The components of this approach include land use planning, the development of visual themes that create a sense of identity, improvement in the amenity base or liveability of the community or local area, improved the attractiveness of the civic center in an effort to improve local business. The mostly used development tools in this approach include land banking, infrastructure provision, incentive zoning, regulation improvement, town scaping, housing and neighbourhood improvement and the provision of community services. Local governments can make an important

contribution by properly coordinating its public investment programmes. Local convergence among actors is significant in economic development initiatives. The formulation of a development strategy in a participatory manner plays a crucial role in identifying overall local development priorities and other strategic issues

#### *2.6.3.2 Physical planning and development controls*

Zoning and other land and building regulations can be important tools for regulating physical development in a locality. Building regulations should be made simple, easy to understand and agreed by all actors. Local Governments should make them work. The absence of transparent practices in the area of development regulation and control provide fertile grounds for corruption to thrive. It is often made a profitable venture for some corrupt officials.

#### *2.6.3.3 Infrastructure*

Potential users of land are more attracted to it if already developed or if development of land can be achieved at lesser costs. Presence of infrastructure shortens the time between acquisition and operations. Basic amenities needed include water and, electricity and street lightning, and access roads. The supply of improved sites should take into consideration the diversified demand, i.e. from Small and Medium enterprises. Public-private partnerships can improve local government ability to provide infrastructure. Appropriate physical infrastructures are a major determinant of production costs, product quality and market access and are critical factors for economic development.

### **2.7 Revenue Mobilization and Local Economic Development**

Local government has four main groups of policy instruments: fiscal policy (such as incentives and taxation), expenditure policy (e.g. reducing business costs by investing in services and infrastructure), debt policy (spreading the cost of development) and administrative policy (especially minimising the barriers to investment and wealth creation). In order to ensure successful Local Economic Development there must be minimal barriers and compliance costs for endogenous and local investment through efficient service delivery and facilitative action while striking a balance between local social and environmental requirement (Fillion, 1991). The concept of local economic development covers a wide range of options which can focus entirely on economic objectives or a fusion of economic and other social objectives. An option can achieve



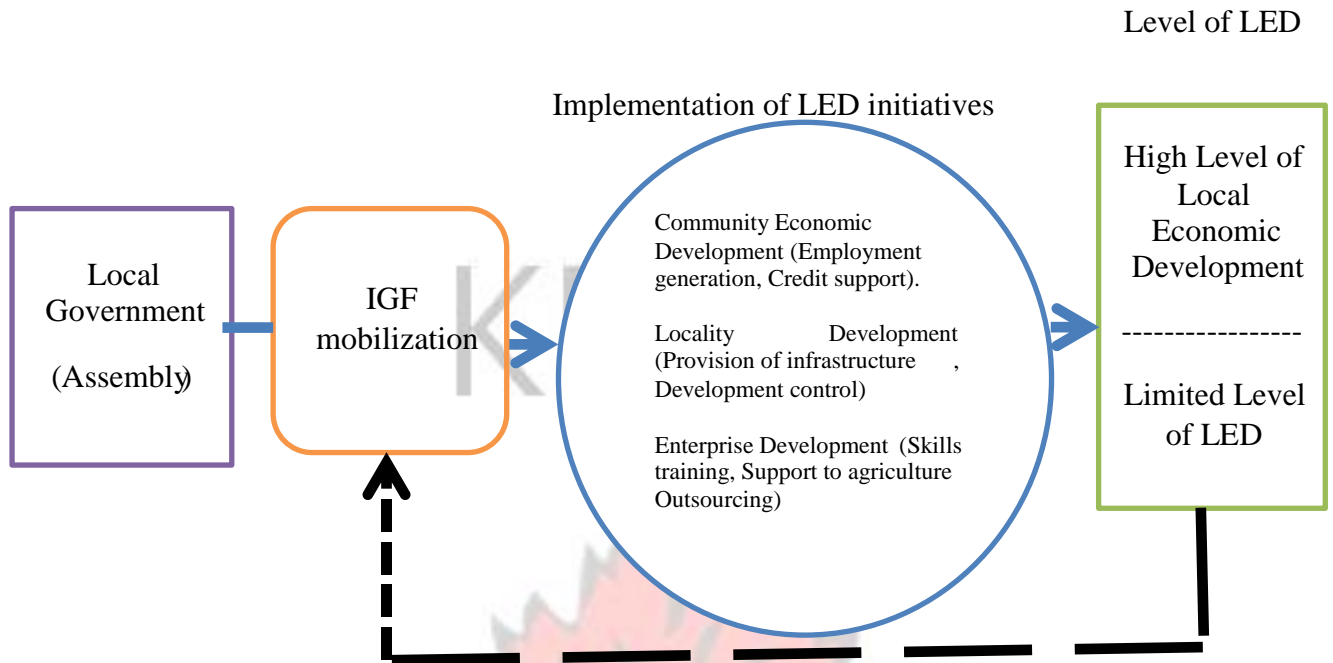
maximum economic growth, which results in job creation, increased tax revenues, and an appreciation of property values. Stabilization of the economy could also be achieved by diversification and promoting entrepreneurship (Kaczmarek, 2000).

Local taxes provide the funds needed for meeting the recurrent expenditure of the local government and for investments. The degree of fiscal autonomy of local authorities differs from country to country. Local revenue mobilization serves as a complementary source to central government and other donor funds. Local governments are interested in high levels of IGF in order to promote development, since Internally Generated Funds are not earmarked for a particular use. There have been tendencies to over-tax businesses through higher assessment and higher rates (Ose04). Nevertheless, local authorities' quest for more revenue can be used as an opportunity to enter into partnership with the private sector and improve the governance of the tax collections systems (Hilhorst & Elsbet, 2008). A conventional view is that local Governments can do better by ensuring proper fiscal management, imposing relatively low taxes, maintaining peace and security, and by otherwise providing a conducive environment for capital attraction and retention, either with policies that attract skilled labor or firms that will employ skilled labor (Schragger, 2010).

## **2.8 Conceptual Framework**

The main concepts espoused in the chapter include Local Economic Development, IGF and Local Government known as the Assembly. The conceptual framework seeks to establish the relationship between the Local Economic Development and The mobilization of Internally Generated Fund at the assembly.

**Figure 2.1: Conceptual Framework**



Source: Author's own construct, 2014

The local government or Local Assembly as part of its responsibilities is to promote Local Economic Development within its area of jurisdiction. Some of the LED initiatives include Community Economic Development, Enterprise Development and Locality Development. To effectively carry out this responsibility, the Assembly requires revenue (IGF).

The mobilization of the requisite IGF will either promote or hinder the implementation of LED initiatives. Consequently, this would either results in high level of local economic development in the locality or low level depending on the implementation of LED initiatives resulting from the mobilization of IGF. There is also a backward linkage between IGF mobilization and the promotion of local economic development. Where there is a high level of local economic development it can enhance the mobilization of Internally Generated Fund. However the low level of Local Economic Development can result in low level of IGF mobilization as depicted by figure 2.1.

## 2.9 Summary

This chapter discussed the conceptual framework of the study. The meaning of development as well as Local Economic development was discussed. Some theories underlying the study have been looked at. Some of these include the neoclassical theory, Location theories, and Indigenous development theory. The role of local government

and in Local Economic Development was delved into and brought out some of the roles of Assemblies in Ghana.

The next chapter (Chapter three (3)) discusses the methodology used in the conduct of the study. The research design, data sources and sampling technique and sample size determination are looked at in the ensuing chapter as well as method of data collection.

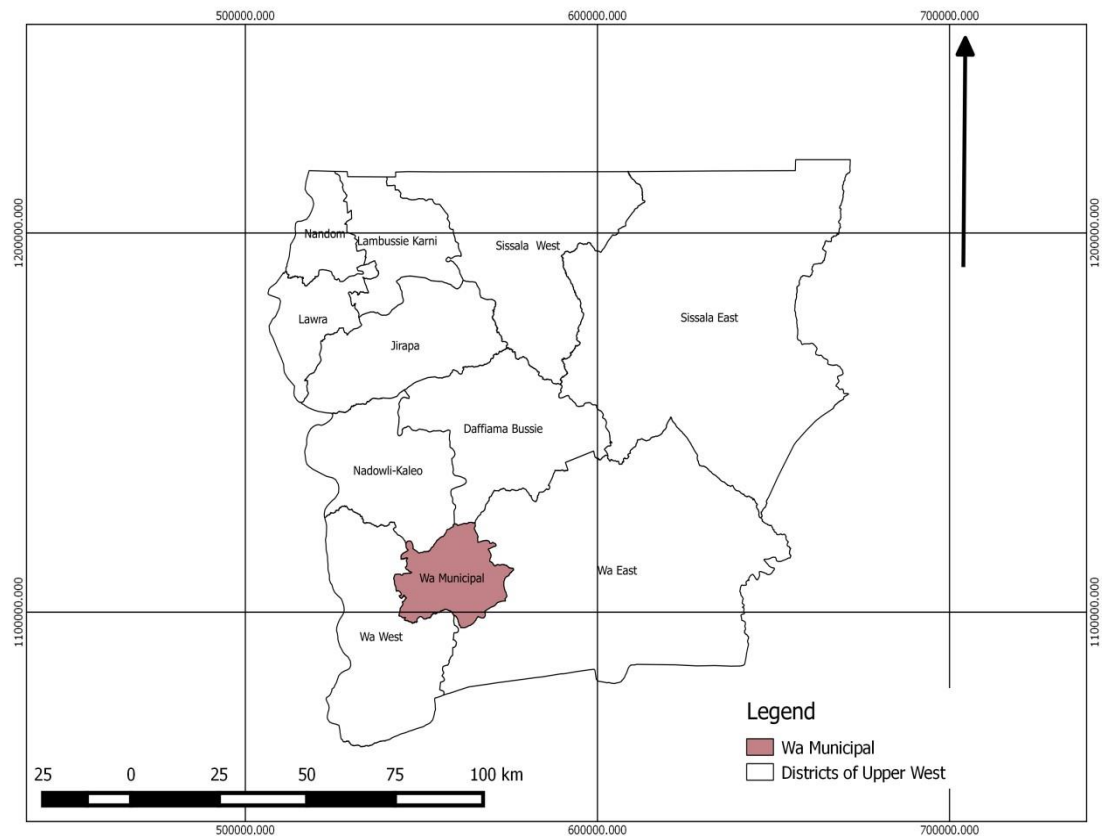
## **CHAPTER THREE: RESEARCH METHODOLOGY AND PROFILE OF STUDY AREA Introduction**

Since the study was conducted in the Wa Municipality it was necessary to examine briefly its profile so as to outline some characteristics such as location, economic structure and IGF collection issues. This section therefore, gives the description of the physical and socioeconomic characteristics and their development implications. Based on these, the research methodology is also discussed relating to how the study area was selected and the data collection methods used.

### **3.1. Location and Size**

The Wa Municipal Assembly shares administrative boundaries with the Nadowli/Kaleo and Daffiama-Bussie-Issa District to the North, the Wa East District to the East and South and the Wa West District to the West and South. It lies within latitudes 1°40'N to 2°45'N and longitudes 9°32' to 10°20'W

**Figure 3.1: Map of Ghana Showing the Study Area**



Source: TCPD (Town & Country Planning Department Wa)

### 3.1.1 Geology and Soils

The main types of rocks which underlie the Municipality are predominantly PreCambrian, granite and metamorphic rocks that have seen lesser weathering than similar rock types elsewhere in the country due to low rainfall, high evapotranspiration and less vegetation. Nevertheless, water harvesting from boreholes has been successful because the rocks have well-developed fracture systems. The rocks are also said to have mineral deposits and this promotes prospecting for gold and

<sup>1</sup> ‘galamsey’ activities with their negative socio-economic and environmental impacts.

The rocks have also given the opportunity for the development of a quarry on the Wa Busa road which can be replicated in areas of high occurrences such as JongaTabiese. This implies that given the right type of technology, the rocks can be crushed to produce chippings for the upgrading of the roads and also provide employment for the people.

There are two main types of soil. The laterite and the savannah ochrosols but there is also evidence of clay especially in Charia community which is famous for pottery. The

<sup>1</sup> Galamsey means illegal small scale mining.



pottery industry could be developed to give employment to the people as part of efforts in Local Economic Development in the Municipality. This will enhance economic activities for increased revenue mobilization. The savannah ochrosols on the other hand are shallow but support the growth of a variety of crops including millet, sorghum, soya beans, groundnuts, rice and yams. Since the vegetation supports agricultural activities the creation of the enabling environment will enhance production and thereby increase IGF collection.

### 3.1.2 Vegetation

The vegetation is of the Guinea Savannah grassland type, made up of short trees with little or no canopy and shrubs of varying heights and luxuriance, with grass ground cover in the wet season. Commonly occurring trees are shea trees Dawadawa, Kapok and Baobab. The vegetation combines with the climatic condition to support livestock rearing including; cattle, sheep and goats but overgrazing should be controlled by the construction of pens, kraals and other form of animal housing and the use of animal's fodder. Since majority of the people are farmers the vegetation is a source of livelihood for the people such as crop cultivation and animal rearing. It is through these activities that the people are able to pay taxes to the Assembly.

### 3.1.3 Internal Sources of Revenue

Internally, the Assembly generates its revenue from various sources. The traditional sources of revenue for the Assembly are *rates, lands, fees and fines, and returns from investments*. Table 3.1 shows the various sources of revenue and their relative contributions to the Internally Generated Funds (IGF).

**Table 3.1: IGF 2010-2013**

Year	2010		2011		2012		2013	
Rev Item	Amount	%	Amount	%	Amount	%	Amount	%
<b>Rates</b>	76,403.79	27.85	98,932.06	24.44	81,398.27	24.78	89,753.32	17.01
<b>Lands</b>	4,424.10	1.61	20,357.00	5.03	22,473.00	6.84	61,010.00	11.56
<b>Fees/charges</b>	95,254.09	34.73	115,951.90	28.65	93,766.30	28.55	196,553.38	37.25
<b>Permits (licences)</b>	30,114.50	10.98	57,347.16	14.17	45,322.20	13.80	98,579.92	18.68
<b>Rent</b>	20,144.65	7.34	63,009.99	15.57	20,557.00	6.26	76,579.92	14.51
<b>Investment returns</b>	25,053.64	9.13	14,216.51	3.51	21,606.00	6.58	1,240.85	0.24
<b>Misc</b>	22,914.68	8.35	34,911.24	8.63	43,302.00	13.18	3,920.00	0.74

**Total 274,309.45 100.00 252,262.99 100.00 328,518.77 100.00 527,637.39 100.00** Source: Wa Municipal

Assembly, 2014

Revenue generated depends mainly on the level of economic activity and the mobilization abilities or efforts of the Assembly. This means that the more varied and brisk the local economy activities, the larger the tax net of the Assembly.

Revenue mobilization in the Municipality is limited to Wa Township and a few settlements/communities most of which have no weekly markets. That notwithstanding, the Municipality has a comparative good revenue base. However, due to weak revenue administration (lack of revenue registers, limited and unskilled revenue staff, poor monitoring and supervision, late/limited distribution of demand notices, weak enforcement of payment) revenue collected has not been satisfactory taken into consideration the IGF potentials (the level of economic activities of the municipality). That notwithstanding, revenue collected has been increasing from 2010, though there was a fall in 2011. Total IGF collection increased from GH¢

274,309.45 in 2010 to GH¢527,637.39 in 2013. Though IGF collection effort increased over the period much remained to be done in the direction of improving collection and management of revenue, and widening the tax net

Average contribution of IGF to total annual revenue basket is only about 8%. The perception of the people that indigenes do not pay tax is affecting collection greatly. This makes indigenous people refuse to pay tax. The implication is dependence on external sources of funds.

Central Government transfers fluctuate over the years and generally in a decline. The shortfalls impede implementation of annual action plans. There is delay in releases and the amount budgeted for does not come.

**Table 3.2 : Municipal Assembly Revenue Sources: Actual Receipt 2010-2013**

Year	2010		2011		2012		2013	
Source	Amount	%	Amount	%	Amount	%	Amount	%
IGF	274,309.45	6.35	252,262.99	7.74	328,518.77	6.49	527,637.39	6.67
Central Gov't	4,047,321.24	93.65	3,007,046.21	92.26	4,732,625.27	93.51	7,383,347.26	93.33
Transfers								
<b>Total</b>	<b>4,321,630.69</b>	<b>100</b>	<b>3,259,309.20</b>	<b>100</b>	<b>5,061,144.04</b>	<b>100</b>	<b>7,910,984.65</b>	<b>6.67</b>
<b>Receipts</b>								

Wa Municipal Assembly, 2014

### 3.1.4 Economic Structure

The structure of the economy of the municipality has not changed since 2006. It is still dominated by agriculture (about 70%), followed by commerce (about 9%) and industry (about 3%). Other key sectors of the economy are transport, tourism, communication and energy. Comparatively, the economy of the municipality is not diversified and dominated by agriculture. Currently, nine (9) out of every ten is said to be poor (Municipal Profile, 2013).

An analysis of household's expenditure shows that about 80% of their income is spent on food and 20% on rent, education, health, utility charges and funerals poor (Municipal Profile, 2013).

#### 3.1.4.1 The Agriculture Sector

Notwithstanding the fact that the Municipality is the commercial hub of the region, agriculture is the main economic activity. It remains the largest single contributor to the local economy and employs about 70% of the active population (Municipal Profile, 2013). The main staple crops grown include millet, sorghum, maize, rice, cowpea, and groundnut cultivated on subsistence basis. However, Soya beans, groundnuts, Bambara beans are produced as cash crops. Economic trees within the Municipality include Sheanuts, Dawadwa, Mango, Baobab, and Teak among others. (Municipal Assembly, 2013).

#### 3.1.4.2 Trade/commerce

The trade/commerce/service sector is second to agriculture in terms of employment offered. The main activities including retailing, transport, finance, public service

The Wa Municipality is currently the regional commercial/service centre with average trading/office facilities (infrastructure). The market facilities (shops), however do not meet the volume of trade (Municipal Profile, 2013). Shopping facilities lack space and selling on the street is common. Shopping malls and one-stop shopping centres are absent. A lot of time is therefore spent in shopping for goods. Modern shopping facilities are required and strong collaboration and coordination among the public, non-public organization is requires to facilitate growth.

#### 3.1.4.3 Industry



The industries in the Municipality are small scale and are categorized into Agro processing, wood, Textile, metal glass, leather & hide, clay/sand/stone, art & craft.

From table there is a high level of agro-based industries in the Municipality. It can be further enhanced to generate employment and increase incomes. However, the burning of charcoal has dire environmental consequences for current and future populations (Municipal Profile, 2013). The appropriate measures must be taken to gradually curb it.

#### *3.1.4.4 Quality and quantity of Housing*

Housing development, mostly bungalow-type is increasing at a fast rate particularly along the Wa-Kumasi road (where the UDS is also located), the Wa-Kpongu road and the SSNIT Flats- Bamahu belt. The trend is likely to continue as the Development beyond the Billi Dam is fast growing and tending to merge the Nadowli District (Loho Junction) to Wa Dam area.

There is therefore, an increasing level of congestion along the major routes due to poorly sited temporary kiosks, billboards, telephone/Electricity poles and other types of street furniture. The Central Market, the main Lorry Park generate big volumes of vehicular and pedestrians traffic giving rise to serious pedestrian/vehicular conflicts. The situation is made worse because the major routes in the town centre have been designed single carriageways which are taken up by on - street parking and an overwhelming increase in vehicular ownership in recent years. The overall quality of the town ranges from excellent for the Government Residential area including Catering Rest House to very poor for the Zongo, Limanyiri & Tagrayiri sections, where houses are simply just lumped up together into one big compound. There are neither routes nor spaces in - between houses. This makes it impossible to provide utilities especially, water pipe lines, electricity and telephone. The situation also affects environmental sanitation and increases the risk of the spread of communicable diseases. Lacks of adequate spacing of housing units prevent ventilation in between houses and this give rise to communicable diseases and poor environmental quality. There is inadequate drainage, outlets for bath house water, and other household sanitation facilities especially in Zongo where the housing units were built with mud walls many years ago and are now dilapidated.



The peripheries will require extension of drains, access roads and other utilities and above all the adoption and enforcement / application of appropriate building codes for harmonized development. The poor spacing of housings in some sectors gives rise to poor accessibility, poor ventilation and in sanitary conditions caused by both household waters, and poor drainage systems. The implication is high risk in the outbreak of communicable diseases such as cholera. Dondoli, Mangu, Sombo also have poor housing units with no good access routes and sanitation facilities.

Wa town has good arterial road network linking already demarcated sectors the environmental conditions of these sectors can be classified into 1<sup>st</sup> class, 2<sup>nd</sup> class and 3<sup>rd</sup> class using the following set of criteria: availability of approved layout; good and orderly development; availability of socio-economic facilities; good environmental practices; good housing types and conditions; accessibility to homes; availability of drainage systems.

The first class residential areas covers 4 sectors; Airport Residential Area; part of Dzudedayiri (along the Wa-Tumu-Road) mostly government building; Degu Residential Area and the Kpaguri/Tendamba/Xavier Aea. This covers less than 1/3 of the town land area rapid urbanisation has impacted negatively on this area in recent years because of the construction of residential building in a haphazard manner with no access route and drainage system.

The Zongo/Kabanye, is the only sector identified as Second Class Residential Area. The area has degraded especially Zongo, because of erosion poor environmental sanitation and overcrowding in homes due to increased population growth. Several houses have become dilapidated and the absence of household toilet facilities has resulted in open defecation. There is also a very deep and filthy gutter caused by erosion running through the community. Walls of houses are constructed of mud/mud bricks with no strong foundation nor drains. Many houses lack sanitary facilities

Eight (8) sectors out of the 13 are identified as third class. These sectors have special layout and witness rapid infrastructural development (Wa Municipal Assembly 2009). The type and quality of housing has influence on property rate collection. This is because the amount charge depends on the value of the property.

### **3.2 Research Design**

The case study research design is used to conduct this study. It emphasizes detailed contextual analysis of a limited number of events or conditions and their relationships and the emphasis on the use of multiple sources of data ensures precision and detailed explanation of phenomena. Local Economic Development is a current concept which requires a detailed study. To be able to do this, a wide range of data sources were used. The case study approach is considered most appropriate for a thorough study of the issue under consideration.

The Wa Municipality was selected for detailed study as a single case study approach. There are 216 Metropolitan, Municipal, and District Assemblies in Ghana with the Upper West Region having 11. All MMDAs are governed by the same legal regime though each has a unique Legislative instrument establishing it. In terms of functions, they all perform the same functions. With regards to financial management, they are all subject to the financial laws and regulations in the country. Therefore, a thorough study of the issue at stake will bring to light effects of IGF mobilization and its effects on Local Economic Development in an Assembly; be it Metropolitan, Municipal, or District. The time frame and the resources available for the study are limited; hence the use of a single case is deemed appropriate for the study.

The Wa Municipality was selected principally because of its status as a Municipality with both characteristics of rural and urban areas. This makes it adequately representative of all the three types of assemblies-Metropolitan, Municipal, and District. The Municipality is one of the oldest and has implemented a lot of activities and has gone through several challenges.

### **3.3 Data sources**

Data for the study was obtained from both primary and secondary sources. The secondary data was obtained from books and journals relating to the topic under study. The District Medium Term Development Plan (DMTDP), monitoring reports, District profile legislative instruments, and policy guidelines were reviewed. The internet was utilized to gather relevant data for the study.

Primary source of data collection on the other hand, was obtained from Head of Business Advisory Center, the Budget Officer, the Planning Officer, the Finance

Officer, and Co-ordinating Director were interviewed. Other sources of data were households.

### 3.4 Sampling Technique and Sample size Determination

According to Kothari (2004:152), sampling is defined as the selection of a part on the basis of which a judgment or inference about the aggregate or totality is made. It is the process of obtaining information about an entire population by examining only a part of it. Non-probability sampling is that sampling procedure which does not afford any basis for estimating the probability that each item in the population has of being included in the sample (Kothari, 2004). Cluster sampling technique was used to select six (6) communities for the study. This make the data representative, the municipality was clustered along the Zonal council bases which are five in Number. Two communities were selected from the Wa Urban council which is the largest with one community each from the remaining four zonal councils. Using the mathematical formula, the sample size for households is determined using the relation  $n = \frac{N}{1 + N(e)^2}$ , where  $n$ =the sample size,  $N$ = the Total number of households in the selected communities, (391) and  $e$ = 0.05(margin of error). The sample size is 200 households. This sample is distributed among the various clusters proportionally based on the number of households in each community using the relation  $z = \frac{p}{P}$ , where  $z$ =sample of each community,  $p$ = total households of each community,  $P$ = Total households for all 6 communities. Individual units/households were selected from each community using simple random sampling technique. Table 3.3 illustrates the sample size of the various communities.

**Table 3.3: Selected Sample of Communities**

COMMUNITY	NUMBER OF HOUSEHOLDS	SAMPLE SIZE
Dapuoha	16	8
Biihee	122	62
Nyugluu	28	14
Jonga	112	58
Kongpaala	46	24
Kunbiehi	67	34
<b>Total</b>	<b>391</b>	<b>200</b>

Source: Derived from Ghana Statistical service report, 2010.



### **3.5 Data Collection Methods**

The appropriateness of data collection method determines the quality of the research. A questionnaire consists of a number of questions printed or typed in a definite order on a form or set of forms. (Kothari, 2004). Questionnaires were used to collect primary data for this research.

### **3.6 Data Analysis and Presentation**

Singh (2006:223) defines data analysis as ‘studying the tabulated material in order to determine inherent facts or meanings’. It is a process of breaking down existing complex factors into simpler parts and putting the parts together in new arrangements for the purpose of interpretation. Analysis of data involves comparison of the outcomes of the various treatments upon the several groups and the making of a decision as to the achievement of the goals of research (Singh, 2006:222). Analyzing data under this study involved examination of responses and editing to remove errors. Edited data was then categorized under various themes bases on the research objectives and questions. Aggregation, tabulation and coding were done to establish trends and patterns for easy interpretation of results.

### **3.7 Summary**

This chapter discussed the research methodology and brief profile of the study area. The study made use of the case study research design. Purposive sampling technique was used to select the study area and communities as well as households. The chapter also outlined the instrument of data collection as questionnaire. Profile of the study area is also discussed including the location, population vegetation, revenue generation (IGF), and the economic structure.



## CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION

### Introduction

This chapter presents the data analysis of the study. It deals with the discussion of the data gathered from the field. Data was collected from households and also from the Municipal assembly officers. The data is discussed in Tables and in graphs to make understanding easy.

#### 4.1 Occupation of Respondents

The occupations of households have significance for the topic since they relate to components of LED. Occupations of respondents were examined which reveal that 39% of respondents are farmers. Traders follow closely with 38%. The details of occupation of the respondents are given in Table 4.1.

**Table 4.1: Occupation of Respondents**

Occupation	Frequency	Percent
Trader	76	38
Farmer	78	39
Artisan	40	20
Public Servant	3	1.5
Unemployed	3	1.5
<b>Total</b>	<b>200</b>	<b>100</b>

Source: Field Survey

#### 4.2 Revenue Mobilization Strategies

According to the Municipal budget officer, the strategies used in mobilizing IGF include the issuance of demand notices to payers, formation of task force to move round to collect. Others include the training and resourcing of revenue collectors. Monitoring and evaluation is also conducted periodically to assess the performance of revenue collectors.

Another strategy that is used to shore up IGF collection is the outsourcing of collection to the private sector. To ensure that people comply with their tax obligations, the Assembly embarks on locking of shops of defaulters. Also seizure of goods is another measure to compel people to settle their indebtedness to the Assembly. The assembly also resorts to prosecution if all these measures fail to yield results.

### 4.3 Types of Levies Paid by Respondents

From the analysis it was found out that Business Operating permit is the leading form of levy that people pay in the municipality. About 28% of respondents (households) paid business operating permit, 18% paid building permits while 16% paid market tolls. More importantly, about 10% of respondents were found not to be paying any form of levy altogether and only 2% paid property rate. From the analysis it can be seen that even though the level of collection might be increasing, the overall performance in IGF collection is only about 8% of total revenue.

**Table 4.2: Type of levies paid**

Type of Levies Paid	Responses	
	Frequency	Percentage
Property rate	15	2%
Cattle rate	13	6%
Basic rate	2	1%
Bicycle/Motorbike/vehicle rate	32	16%
Market toll	34	17%
Business operating permit	56	28%
building permit	37	19%
Not Paying tax	21	11%
<b>TOTAL</b>	<b>200</b>	<b>100.0%</b>

Source: Field Survey, 2014

This is in view of the fact that some of the revenue items like property rate which has a potential to yield more revenue are left unexploited as shown in Table 4.2. As noted by Osei-Wusu and Inanga (2004), mechanisms for collecting internal revenues are ineffective. For instance, revenue collection from property rates is a challenge because properties have not been properly valued. As stated in the District profile, the Municipality has a comparative good revenue base. However, due to weak revenue administration (lack of revenue registers, limited and unskilled revenue staff, poor monitoring and supervision, late/limited distribution of demand notices, weak enforcement of payment) revenue collected has not been satisfactory taken into consideration the IGF potentials of the municipality (Wa Municipal, 2009). Diaw (1996) points out that the basic challenge facing District Councils is how to provide funds to meet the cost of services without imposing too much a burden on their citizens. Upward adjustment of the level of rates or levies has been one of the means of improving the amount of revenue collected at a given point in time (Diaw 1996:

Akudugu, 2013).

#### 4.4 Local Economic Development in the Municipality

Local Economic Development was defined by Assembly officials as the provision of basic infrastructural amenities and enabling environment for the local or indigenous businesses. It is about local people taking their own lives expressing their own demands and finding solutions to their problems towards a better standard of living. In the light of this definition, the Assembly has embarked on a number of initiatives aimed at promoting LED. Among some of these is the provision of electricity as part of economic infrastructure, markets stores, shea butter extraction facilities and the establishment of juice factory. Training of artisans and other business operators is another area the Assembly undertakes.

Some of the major areas of LED the Assembly directly spends IGF on are the provision of economic infrastructure to support business activities, Business skills training and support to farmers. About 25-30% of IGF is used to finance Local Economic Development activities in the Municipality and about 15% of the Annual budget goes into financing Local Economic Development initiatives. Table 4.3 gives the breakdown of the Assembly's budget.

**Table 4.3: Expenditure Pattern of the Wa Municipal Assembly for 2014**

No	Sector	Percentage of Annual Budget (%)
1	Education	28
2	Health	12
3	Water and sanitation	15
4	Energy	23
5	Security	7
6	Local Economic Development(Business development services)	15
<b>TOTAL</b>		<b>100</b>

Source: Field survey, 2014

Aside the IGF the Assembly has other sources of funding that can be used to finance its development activities. These include the District Assembly Common Fund which is allocated the all Assemblies in Ghana quarterly. Another source of funding that can be

used is the District Development Facility which is allocated to Assemblies based on their performance in the FOAT; a nationwide assessment of Metropolitan, Municipal and District Assemblies. Added to this is the Urban Development Grant (UDG) which is additional funding for only Metropolitan and Municipal Assemblies upon qualification of an assessment similar to that of DDF as shown in the table 4.4.

**Table 4.4: Funding from Central Government to MMDAs**

<b>Funding source</b>	<b>Beneficiary</b>	<b>Disbursement period</b>
District Assemblies Common Fund	All MMDAs	Quarterly
District Development Fund	MMDAs which pass FOAT assessment	Yearly
Urban Development Grant	Municipal Assemblies who pass FOAT assessment	Yearly

Source: Author's construct, 2014

#### **4.5 Registration of business with the Assembly**

Any business entity in the municipality that needs to operate requires registering in order to operate formally. In this way the Assembly is able to keep a data base of business within its jurisdiction. This also makes it easy to undertake revenue collection through proper forecasting and setting of realistic targets. Some of the benefits with registering are, training programmes as well as contracts and supplies.

**Table 4.5: Registration of Business with Assembly**

<b>Business Registration with Assembly</b>	<b>No</b>	<b>%</b>
Registered	42	36
Not Registered	74	64
<b>Total</b>	<b>116</b>	<b>100</b>

Source: Field Survey, 2014

Before one is able to offer any service to the Assembly, they must obtain business operating permit. Out of a sample 200 households heads, 116 were traders and artisans. Only 36% of them have registered for permits. With regards to the reasons for not registering, 65% were not aware of the need to formalize their operation with the while 35% thought the registration process was cumbersome. Entrepreneurs may not know



the regulations that are appropriate to them, or which department they can consult for questions and concerns (Hilhorst & Lodenstein, 2008).

**Table 4.6: Reasons for Non-registration**

Reason for not Registering	Number	%
Not aware of the need to register	48	65
Cumbersome Registration	26	35
<b>Total</b>	<b>74</b>	<b>100</b>

Source: Field survey, 2014

#### **4.6 Mobilization of Internally Generated Fund**

Blakely (1994:53) stated that local economic development is a function of certain factors and conditions which include natural resources, labour, investments, transport, communication, industrial composition, technology, local institutional capacity and national and state government spending and development schemes. As indicated in Table 4.7, the provision of economic infrastructure, employment, business skills training and credit support are top factors that households see as promoting LED in the Wa Municipality.

**Table 4.7: Factor promoting LED in the Wa Municipality**

Factors that promote LED	Response	
	Number	Percentage
Provision of Economic infrastructure	45	22%
Employment	40	20%
Business skills training	34	17%
Credit support	45	22%
Business advise	19	10%
Contracts and supplies	17	9%
<b>Total</b>	<b>200</b>	<b>100.%</b>

Source: Field Survey, 2014

##### **4.6.1 Positive Effects of IGF Mobilization on Local Economic Development**

The data show that provision of credit support in the form of small loans, provision of economic infrastructure, business skills training are important in the promotion of LED at the Municipality level. Records from the Assembly show that some of these activities

are being undertaken to improve the lives of the people. However, the amount compared to other sectors like social services is insignificant.

Provision of infrastructure is seen as key in the promotion of LED yet the interventions have been skewed toward the social infrastructure like schools, hospitals and clinics. Added to this is the fact that IGF alone cannot meet this expenditure given the quantum of funds needed for these capital projects. Appropriate infrastructure can determine production costs, product quality and market access.

The Assembly has also been providing skills training to category of craftsmen and other business owners and artisans in the municipality. Other positive side of the mobilization of IGF is the provision of business skills training given to business operators to enhance their businesses through counterpart funding arrangement between the Assembly and NBSSI under the Rural Enterprises Project (REP). Such operators also receive business advice or counseling on how to improve and enhance the competitiveness of their businesses. The study show that 27% of respondents have received business counseling from the Assembly as indicated by Table 4.8

**Table 4.8: Business advice and Counseling**

<b>Business Advice/Counseling</b>	<b>Frequency</b>	<b>Percent</b>
Received Business advice/counseling	54	27
Never received advice/counseling	146	73
<b>Total</b>	<b>200</b>	<b>100.0</b>

Source: Field survey, 2014

The study also examined the occupation of households and the the advice or counseling they received in enhance their operations. The results show that out of 54 households that received counseling, 52% were traders, 22% were farmers while 26% were artisans as shown in table 4.9. This implies that trading activities receive attention more than the occupations.

**Table 4.9 Occupation of counseling/advise received**

<b>occupation of Respondents</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>	<b>Total</b>
Trader	28	52	48	33	76
Farmer	12	22	66	45	78
Artisan	14	26	26	18	40
Public Servant	0	0	3	2	3

Unemployed	0	0	3	2	3
<b>Total</b>	<b>54</b>	<b>100</b>	<b>146</b>	<b>100</b>	<b>200</b>

Source: Field survey, 2014

Data from the municipal Assembly indicates that other ways of increasing the performance of IGF is the outsourcing of IGF collection to private collectors. This is aimed at improving performance while at the same time proving job for the private sector. Also, the results show, though limited cases (8%) that some people provided paid services to the Assembly in the area of construction.

**Table 4.10 Provision of Paid Services**

<b>Occupation of Respondents</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>	<b>Total</b>
Trader	10	5	66	33	76
Farmer	3	1.5	75	37.5	78
Artisan	3	1.5	37	18.5	40
Public Servant	0	0	3	1.5	3
Unemployed	0	0	3	1.5	3
<b>Total</b>	<b>16</b>	<b>8</b>	<b>184</b>	<b>92</b>	<b>200</b>

Source: Field survey, 2014

From the result it can be seen that out of the 16 households that provided paid service, traders account for 5% while Farmers and artisans provided 1.5% each. These services include contracts and supply of goods. Local authorities purchase goods and services. They purchase goods and services and development of infrastructure and may offer jobs for the provision and rehabilitation of public facilities to the private sector. Local government can be an important user of private sector services, and this relationship can guide economic growth and generate employment. They can give preferences to local entrepreneurs, although they have to do this within the confines of the law on procurement (Hilhorst, 2008).

Provision of paid services to the Assembly is one important factor of promoting Local Economic Development in the municipality as it creates jobs for people in the form of contracts and other services. Engaging the local business to provide certain services is an effective way of building their capacity to compete with firms outside the Municipality. When capacities of local firms are built, it may create more employment, provide market for local raw materials and improve the local economy in general.

**Table 4.11 Business Sills Training received**

<b>Occupation of Respondents</b>	<b>Yes</b>	<b>%</b>	<b>No</b>	<b>%</b>	<b>Total</b>
Trader	20	38	56	38	76
Farmer	22	41	56	38	78
Artisan	11	21	29	20	40
Public Servant	0	0	3	2	3
Unemployed	0	0	3	2	3
<b>Total</b>	<b>53</b>	<b>100</b>	<b>147</b>	<b>100</b>	<b>200</b>

Source: Field survey, 2014

From the results, 53 households representing only 26% of received training within the past three years. Out of the number 38% were traders while 41% were farmers.

Artisan only received 11%.

4.6.2 Negative effects of IGF mobilization on Local Economic Development Even though the mobilization of IGF has positive effects on LED, there are some factors that militate against the promotion of LED. The quest for increase in the collection of IGF leads to adoption of several measures in collection. One such measure is the formation of revenue task force to enforce payment. This task force moves around closing and locking shops whose owners have not paid their levies. This situation does not only place burden on people in paying but also a strain on their relationship with the Assembly.

Notwithstanding the benefits in formalizing businesses with the Assembly, only 36.5% of respondents have registered with the Assembly. With regards to the reasons for not registering, 65% of respondents were not aware of the need to formalize their operation with the Assembly while 35% thought the registration process was cumbersome. Respondents also indicate that the levies are many and too high. This therefore erodes their profits margin since what they pay takes a chunk of their profits. This is confirmed by the Assembly as the levies are increased every year regardless of the assessment of capacities the business.

As pointed by Akudugu (2013) in his study of the Asante Akim South District Assembly, for those few existing sources of revenue that have recorded sharp increase over the years, were as a result of upward adjustment of the rates. On their part, Saffell and Basehart (1998: Akudugu, 2013) note that unless poor governments and localities



adjust their tax rates upwards to unbearable levels, they simply cannot generate sufficient revenue to provide services comparable to those in more endowed areas. When flat tax rates are imposed, a larger tax burden is put on the smallest enterprises (Hilhorst et al, 2008).

Provision of the needed infrastructure to propel the economic development of the Municipality is piece meal in nature and as such people pay levies they contend they do not see it translate into infrastructure. For instance respondents pointed out that they face challenges in their business operations such as dams for watering their animals and for irrigation purposes, and lack of access to credit facilities as indicated in Table 4.12.

**Table 4.12: Challenges faced by entrepreneurs**

Challenges Faced in Business Operations	Responses	
	Number	Percentage
Inadequate Capital	64	32%
Inadequate water(dam) for animals & irrigation	62	31%
Inadequate storage facilities	20	20%
Inadequate farm inputs	54	27%
<b>Total</b>	<b>200</b>	<b>100.0%</b>

Source: Field Survey, 2014

The level of economic activities can determine the level of collection of IGF in a locality. Akudugu (2013) posits that the limited level of economic activities in the district serves as a barrier to efforts aimed at expanding the revenue base of the Assembly. Saffell and Basehart (1998 cited in Akudugu, 2013) note that in their attempt to increase revenue, government and local authorities are affected by a number of factors, most fundamentally by the level of wealth and personal income within their boundaries. It has been widely claimed that LED would increase employment opportunities and the local tax base by making the city's business climate more 'attractive' to mobile capital(Maharaj and Ramballi, 1998).

Provision of credit was seen as very important in promoting Local Economic Development in the Municipality. However, the data shows that in the past three years no respondent received any form of credit to improve business activities. Despite the efforts, the training programmes by the Municipal Assembly are not enough to be able to provide the needed skills by the teaming would-be entrepreneurs and the youth in the

municipality. These programmes are also not regular. This will likely not be able to improve upon skills levels for self-employment which could promote the establishment of new micro and small scale economic entities to enhance Local Economic Development.

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## **CHAPTER FIVE: KEY FINDINGS, RECOMMENDATIONS AND CONCLUSION**

### **Introduction**

The previous chapter (4) presented the analysis of the research data and a general discussion of the results. This chapter presents the summary of the key findings from the discussions. It also outlines recommendations for addressing some of the findings unearthed as well as drawn conclusion from the research.

### **5.1 IGF mobilization**

Households indicate that the levies are many and too high. This therefore erodes their profits margin since what they pay takes a chunk of their profits. This is confirmed by the Assembly as the levies are increased every year regardless of the ability of the people to pay.

Aside the IGF the Assembly has other sources of funding that can be used to finance local economic development activities. These include the District Assembly Common Fund which is allocated to all the Assemblies in Ghana quarterly. However, according to the Officers the usage of the Common Fund is guided by regulations and guidelines with some mandatory expenditure. As a result the assembly has concentrated much attention on the provision of social services and amenities rather than investing in Local Economic Development interventions which could increase the economic viability of the people and thereby enhance their ability to pay taxes. Though economic infrastructure facilities are important for the development of the municipality, the Assembly is unable to expand and improve upon the facilities in the markets due to the demand on its resources by other forms of developmental activities. It also depends greatly on development partners for financial and technical resources. This limits its ability to expand and provide more facilities to promote LED activities in the municipality.

### **5.2 Registration with assembly**

The legal regime establishing the Assembly allows it to register, give permits and grant licenses to all socio-economic entities operating in its jurisdiction. Through this, the entity is allowed to operate in the municipality. The Department of Cooperative as part of the Municipal Assembly, registers all cooperatives and community based organizations including local non-governmental organizations and clubs in the

municipality. Small businesses are also required to register with the Assembly which they fail to do. This paves the way for micro and small economic enterprises to spring up easily in the municipality at any time. The challenge therefore to the Assembly is its inability to have adequate data and information about all economic entities in the municipality, especially those in the informal sector. It also grants operating licenses to bigger entities that would like to explore and make use of the natural resources in the municipality such as sand and stone winning activities. With regards to the reasons for not registering, 65% of respondents were not aware of the need to formalize their operation with the Assembly while 35% thought the registration process was cumbersome.

### **5.3 Positive Effects of IGF on Local Economic Development**

The data shows that provision of credit support in the form of small loans, provision of economic infrastructure, business skills trainings are important in the promotion of LED at the Municipality level. Infrastructure provision has always been one of the top priorities of Assemblies. The high visibility of infrastructure which heightens public awareness about the performance of Assemblies has made it a priority among politicians. In recent times it has also come to be recognized as crucial to Local Economic Development. Infrastructure, especially sustainable infrastructure is important for the achievement of higher levels of economic development as it helps to diversify and stimulate production, expand trade, cope with population changes, and alleviating poverty. The Wa Municipal Assembly has implemented, supported and facilitated the construction of several infrastructural projects in the areas of road construction and improvement, the construction of market facilities, lorry parks for transport, and the extension of electricity to communities. All these have the potential of improving the Local Economic Development Environment of the municipality. A detailed look is taken at the various types of infrastructure that have been provided by the local government to support economic activities and the entire development of the municipality. The Assembly provides some level of infrastructure to facilitate business operations as well as skills training and business counseling for businesses and individuals though on a limited scale. Over the years, local government has from its own resources and with the support of its development partners and the government of Ghana constructed several markets which are really vibrant across the municipality. These markets serve as marketing areas for agricultural products, especially produced



in the municipality and also serve as revenue collection points from the trading activities.

Data from the Municipal Assembly indicates that other ways of increasing the performance of IGF is the outsourcing of IGF collection to private collectors. This is aimed at improving performance while at the same time proving job for the private sector. It has been noted that sometimes the collection cost of IGF is more than what is collected (Akudugu, 2013). It is therefore significant as much as possible the cost of collection is reduced to the minimum to enhance maximum benefit of IGF. It is in the light of this that outsourcing the collection to commission collectors is helpful and also creates jobs for the unemployed.

Business operators receive business advice or counseling on how to improve and enhance the competitiveness of their businesses. The study shows that 27% of respondents have received business counseling. It is significant to point out that most of the small enterprises operate without the requisite skills that will make them competitive. Basic record keeping, financial management and in the case of small groups, group dynamics are serious challenges militating against the success of these enterprises. If they are given skills training in these areas, it will go a long way to make them vibrant and sustainable so as to be able to pay their taxes to the Assembly.

#### **5.4 Negative Effects of IGF mobilization**

Revenue collectors are hostile to business operators which they attribute to inadequate skill on the part of the revenue collectors.

Provision of credit was seen as very important in promoting Local Economic Development in the Municipality. However, the data shows that in the past three years no respondent received any form of credit to improve business activities. This means that even though credit support is given, it is not regular and often.

Revenue sources are limited in view of the fact that some of the revenue items like property rate which has a potential to yield more revenue are left unexploited. More importantly, about 10% of respondents were found not to be paying any form of levy altogether and only 2% paid property rate.

Provision of infrastructure is seen as key in the promotion of LED yet the interventions have been skewed toward the social infrastructure like schools, hospitals and clinics.

Added to this is the fact that IGF alone cannot meet this expenditure given the quantum of funds needed for these capital projects.

### **5.5 Recommendations**

The study sought the views of respondents on effective ways of collecting and investing IGF to facilitate payment in the Municipality. If Local Economic Development is to be promoted in the Municipality the following recommendations are made for the Municipality and other Assemblies in the country to consider in their areas of jurisdiction.

First, the data show that 8% of households who were entrepreneurs have provided paid services within the past three years. The Assembly should make its local contracts more accessible to artisans by making the bidding process more flexible so that local entities can bid for these contracts. Procurement trainings could also be organized in collaboration with the Public Procurement Authority for local economic entities. This will enlighten them on the requirements enable them to be competitive in the bidding process.

Second, the level of economic activities in the Municipality can influence the collection of IGF. The Assembly could collaborate with the National Board for Small Scale Industries under the Rural Enterprises Project to provide business training, counseling and capital for business start-ups and expansions. Entrepreneurs could also be linked to the Micro-Finance and Small Loans Centre (MASLOC) and financial institutions for capital to improve their operations. This would enhance employment generation and improvement in income which will in turn provide avenues for revenue mobilization. The provision of credit support to improve businesses, and also the provision of infrastructure such as small dams for irrigation purposes and for livestock rearing, and provision of farm inputs to facilitate improvement in agriculture, as well as skills training would go a long way to enhance economic activities for improved level of IGF collection.

Third, the study shows that property rate has not been fully mobilized. This is due to the fact that there exist weak data base of ratable items based on which yearly projections are made. It is also clear from the analysis that property rate account for an insignificant portion (2%) of total collection from various sources. The major issue is that properties have not been valued. This makes collection of rates difficult. It is therefore

recommended that the Ministry of Local Government and Rural Development assist in this exercise by directing all Assemblies to value properties within their jurisdiction. The Ministry could also engage a team to undertake the assignment and share the cost among the concerned assemblies.

Forth, The Assembly should embark on revenue collection campaigns by educating the public on their obligations. This could be done by organizing radio talk shows, and community durbars. Collaborating with religious leaders, traditional authorities and opinion leaders to discuss the issue at different platforms will also change attitudes towards tax payment.

### **5.6 Conclusion**

There are both positive and Negative effects of IGF on Local Economic Development. The Municipal Assembly embarks on interventions such as training for businesses, provision of infrastructure, which promote the living conditions of the citizenry. However, these interventions are limited in scope due to the limited funding available.

In their efforts to improve Internally Generated Fund, The assembly's revenue collectors have embarked on measures such as locking of shops, confiscation of goods, which are inimical to the development of local businesses and entrepreneurs. Businesses and entrepreneurs face a myriad of challenges in their operations as a result of the Assemblies IGF collections activities. In fact there is a potential in improving the mobilization of IGF if the Local Economic Development is promoted. The provision of small loans and the necessary economic infrastructure and other business related services would enhance business climate and employment generation and as such translate into higher IGF collection.

A source such as property rate has the potential to rake in more revenue. However due to the inability to value properties, the Assembly is not able to collect. This is in view of the fact that property owners are not paying property rate as the analysis shows. If efforts are geared towards enhancing property rate collection and widening the tax net IGF collection will improve.

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# KNUST



**APPENDICES DEPARTMENT OF PLANNING**

**COLLEGE OF ARCHITECTURE AND PLANNING**

**Kwame Nkrumah University of Science and Technology, Kumasi**

**APPENDIX 1: Questionnaire for Municipal Assembly Officers**

The information being sought is purely for academic exercise and is part of a study towards an Msc. Development Policy and Planning thesis. The responses you give will therefore be treated with utmost confidentiality.

Position.....

Date.....

1. What strategies do you employ in collecting IGF?

.....

2. Please rank these strategies listed in 1 above in order of importance

1.....

2.....

3.....

4.....

5.....

6.....

3. How will you describe the level of IGF mobilization in the Municipality?(Please tick only one)

4. (a) Very low ☐ (b) Low ☐ (c) High ☐ (d) Very high ☐

5. What is the amount collected in the last three years?

2011.....

2012.....

2013.....

6. What measures are there to ensure that people pay the levies imposed by the Assembly?(Tick as any as applicable)



(i) Seizure of goods ☐ (ii) Locking of shops ☐ (iii) prosecution ☐  
☐

(iv) Expulsion from markets

(v) Other ☐

Please specify.....

.....

7. Please rank your answers in Question 6 above on a scale of 1-5

1.....

2.....

3.....

4.....

5.....

8. What do you consider as Local Economic Development?

.....

9. Please state 5 of the Local Economic Development Activities undertaken by the Assembly in order of importance.....

1.....

2.....

3.....

4.....

5.....

6.....

10. Which of the following are directly financed by IGF in your Assembly?(please as any as applicable)

(i) Provision of Economic infrastructure ☐ (ii) Employment ☐

(iii) Business Skills training ☐ (iv) Credit support ☐ (v) Business advise ☐

☐

(vi) Support to farmers

(v) Other ☐

Please specify.....

.....

11. Please rank your answers in question 11 above on a scale of 1 to 6

- 1.....
- 2.....
- 3.....
- 4.....
- 5.....
- 6.....

12. What percentage of IGF is used to finance Local Economic Development activities as indicated in question 11?

- a. Less than 10% ☐ b. 10%-20% ☐ c. 25-30% ☐ d. 35-40% ☐
- e. 45-50% ☐ f. Above 50% ☐

13. What percentage of your annual budget goes into the following interventions?

No	Sector	Percentage of Annual Budget (%)
i	Education	
ii	Health	
iii	Water and Sanitation	
iv	Energy	
v	Security	
vi	Local Economic Development (e.g roads electricity, entrepreneurial development, etc.)	

14. What other sources of funding exists for financing local economic development activities.....

15. Do you involve rate payers in fixing your rates? a. Yes ☐ b. No ☐

If yes in question 16 above how do you involve them

- (a) invitation to meetings ☐ (b) Announcements through radio ☐
- (c) Through selected leaders of trade associations ☐
- (d) others, specify.....

.....

16. If no, in Question 16, why.....

.....

17. Are people willing to register their businesses with the Assembly?

(A) Yes ☐ (B) No ☐

18. If No, why(*tick as any as applicable*)

(a) Fear of being taxed ☐ (b) Not aware of the need to register ☐

(c) Cumbersome registration ☐ procedure ☐ (d) High registration fees ☐

(e) Other, ☐

please Specify.....

19. Please rank your answers in Question 20 above on a scale of 1 to 4

1.....

2.....

3.....

4.....

20. What benefits are there for people who register with the Assembly? (*Thick as many as applicable*) ☐

a. Credit support ☐

b. Business Skills training ☐

c. Contracts/Supplies ☐

d. Marketing opportunity ☐

e. Others ☐

Specify.....

21. Please rank your responses in Question 22 above

1.....

2.....

3.....

- 4.....
- 5.....
- 6.....

22. How do you arrive at the various rates that are in your fee fixing resolution before the approval of the General Assembly? (*Thick as many as applicable*)

- (i) Based on previous year's collection ☐ ii. Ability of people to pay ☐ iii. Category of activity ☐ iv. Incremental annually ☐ v. Others

Please

☐  
☒  
☐

specify.....

23. Please rank your responses in Question 24 above in order of importance.

- 1.....
- 2.....
- 3.....
- 4.....
- 5.....
- 6.....

24. Do you have tax incentives for local businesses and people? A. Yes ☐ b. No ☐

25. If yes in Question 26, what form does it take?

- (i) Reduction in tax ☐ ii. Grace period for new businesses ☐ iii. No tax ☐  
 iv. Financial rewards ☐ v. others ☐

Please

specify.....

26. If no in 26

why.....

.....



27. Do you consider reducing the rates if the collection is low or people do not want to pay? A. Yes ☐ b. No ☐

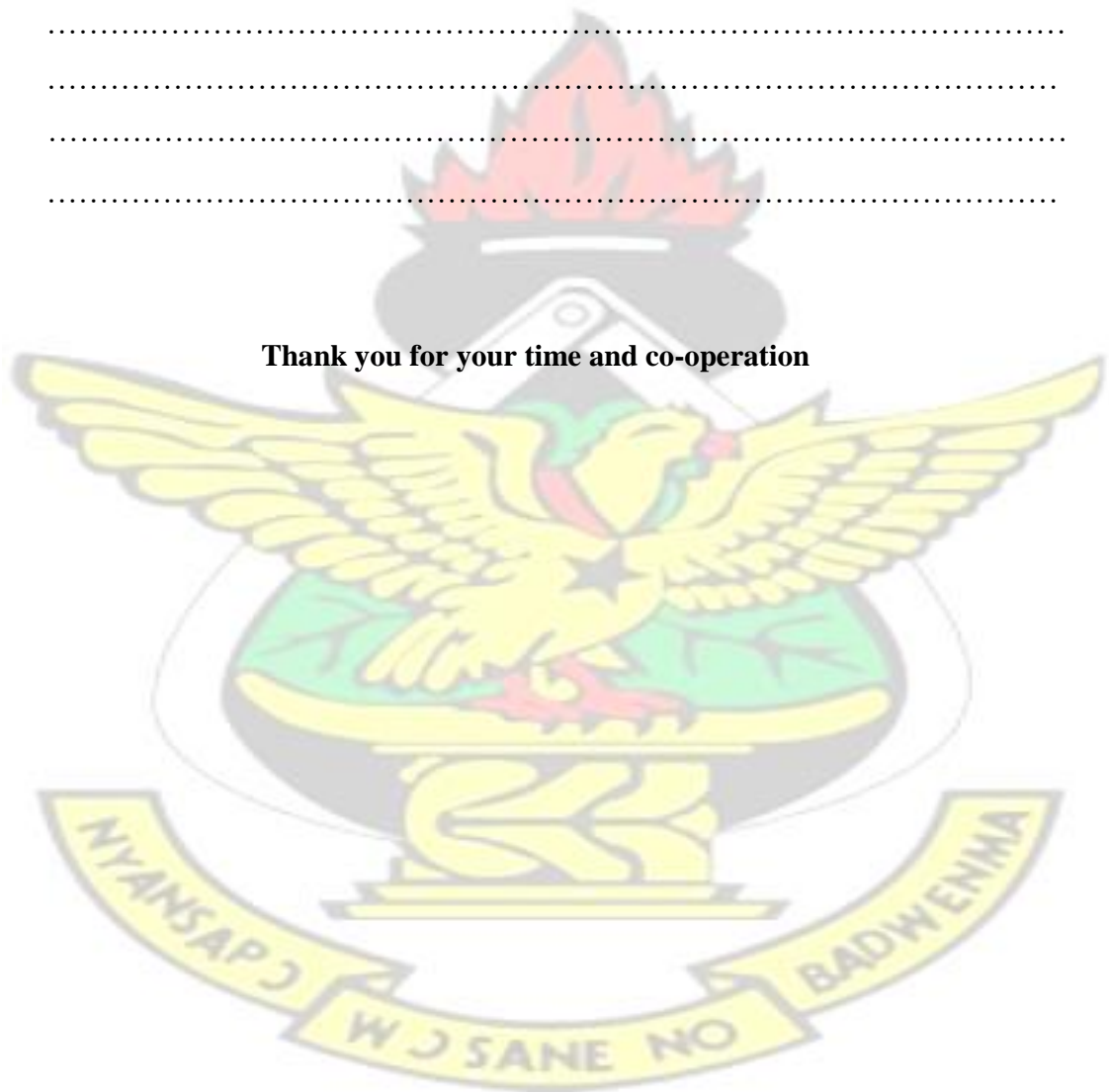
What other challenges do you encounter in collecting

IGF.....  
.....

28. What recommendations would you offer in collecting IGF without negatively affecting the local entrepreneurs.....

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

**Thank you for your time and co-operation**



## APPENDIX

### DEPARTMENT OF PLANNING

### COLLEGE OF ARCHITECTURE AND PLANNING

**Kwame Nkrumah University of Science and Technology, Kumasi**

#### Household Questionnaire

The information being sought is purely for academic exercise and is part of a study towards an Msc. Development Policy and Planning thesis. The responses you give will be treated with utmost confidentiality.

Respondent:.....

Date of interview:.....

#### Background of respondents

1. Age: (i) 15-25 ☐ (ii) 26-35 ☐ (iii) 36-45 ☐ (iv) 46-55 ☐  
(v) 56+ ☐

2. Occupation: (i) Trader ☐ (ii) Farmer ☐  
(iii) Artizan ☐ (iv) public servant ☐ (v) Unemployed ☐  
(vi) Othres Specify

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

- 3 Sex: a. Male ☐ b. Female ☐  
4. Educational level: a. No education ☐ b. Primary ☐  
c. JHS ☐  
d. SHS/MSL ☐ e. Tertiary ☐

## IGF and Local Economic Development

5. Which of the following do you consider important in promoting Local Economic Development?(Tick as many as applicable)

- (i) Provision of economic infrastructure ☐ (ii) Employment ☐  
 (iii) Skills training ☐ (iv) Credit support ☐ (v) Business advise ☐  
 (vii) Contracts and supplies to entrepreneurs ☐

OthersSpecify.....  
 ...

6. Please rank the following on a scale 1-6 which of these are important in promoting Local Economic Development. a. Credit support

- b. Employment ☐  
 c. Business skills training ☐  
 d. Business advise ☐  
 e. Outsourcing of revenue collectio ☐  
 f. Contracts and supplies ☐  
 g. Others ☐  
 Specify.....

7. Do you receive credit support from the Assembly? a. Yes ☐ b. No ☐

8. In the past 3 years have you received credit from the Assembly? a. Yes ☐  
 b. No ☐

9. If yes in question 9, how much have you received?..... Have you ever taken part in any training ☐ ☐ programme organized by the Assembly? a. Yes  
 b. No

How often are these trainings organized?

(i) monthly ☐ ii quarterly ☐ iii yearly ☐ iv every 2 years ☐  
 v. Others ☐  
 Specify.....

11. Do you receive business advice a. Yes ☐ b. No ☐  
 If yes how often? a. Monthly b. Quarterly c. Yearly  
 d. Others ☐ Specify.....

12. Have you ever provided any paid services to the Assembly? a. yes ☐ b. No ☐

13. If yes in 15, which type of service (*Please tick as many as applicable*)  
 a. Supply of goods ☐ b. construction works ☐ c. Consultancy services ☐  
 d. Revenue collection ☐ e. Others ☐  
 Please specify.....

Please rank your answers in Question 16 above.

1.....  
 2.....  
 3.....  
 4.....  
 5.....

14. How would you describe the payment (i) timely payment (ii) delay in payment (iii) Incomplete payment (iv) never paid

15. What are some of the challenges you face in your business operations  
 .....  
 .....  
 .....

Please rank these challenges in Question 19 order of importance.

1.....



- 2.....
- 3.....
- 4.....
- 5.....

16. Have you registered with the Municipal Assembly (a) Yes ☐ (b)No ☐

17. If no, why have you not registered?

(a) Fear of being taxed ☐ (b) Not aware of the need to register ☐

(c) Cumbersome registration procedure ☐ (d) Others ☐

Specify.....

18. What challenges do/did you face in obtaining permit from the Assembly?

(Tick as many as applicable)

(a)Delay in obtaining permit ☐ (b) High charges/fees ☐

(c)Inadequate information on registration process ☐

(d) Others ☐

Please specify.....

19. Rank those you have ticked in question 23 above.

1.....

2.....

3.....

4.....

20. How would you describe your relationship with the Assemblies revenue collectors?

a. Very cordial

☐  
☐  
☐

b. Cordial

☐  
☐  
☐

c. hostile

☐  
☐  
☐

d. very hostile

☐  
☐  
☐

21. How does this relationship in 27 above affect your activities?

.....

.....

.....  
 22. What types of levies do you pay to the Assembly? (Tick as many as applicable)

1. Property rate ☐    2. Cattle rate ☐    3. Basic rate ☐  
 4. Bicycle/motobike/vehicle ☐    5. Market toll ☐ rate ☐  
 6. Business Operating Permit ☐    7. Buildings permit ☐  
 8. Not paying tax ☐    9. Others ☐

Please specify.....

If not, why.....

23. Please rank the answers in Question 27 above those you pay frequently

- 1.....  
 2.....  
 3.....  
 4.....  
 5.....  
 6.....  
 7.....  
 8.....

24. How much do you pay as tax to the Assembly in a year?..... Are

- you able to pay?    a. Yes ☐    b. No ☐

25. If no, Please explain why

.....

26. How does the payment of the levies/taxes to the Assembly affect you?

.....

27. Has/Does the Assembly ever reduce (d) the fees on account of inability of people to pay?

- a. Yes ☐    b. No ☐

28. If yes in 33, how often? i. Annual ☒ ii. Once in ☒ years  
iii. Once in four years ☐ Only once ☐ iv. Never ☐

29. In your view which areas can the assembly invest the IGF to enhance your ability to pay your taxes?

.....  
.....

30. What best ways can the Assembly embark on IGF collection without hampering the development of local enterprenuers?

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

31. Are there any other comment/ issue you will like to share with me.....

.....  
.....

**Thank you for your time and co-operation.**

