UNIVERSITY FOR DEVELOPMENT STUDIES

ASSESSING THE NEXUS BETWEEN INTERNALLY GENERATED FUNDS AND INFRASTRUCTURAL DEVELOPMENT OF THE MMDAs IN THE NORTHERN REGION OF GHANA

IBRAHIM ADAM

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BY

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THESIS SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND COMMERCE, SCHOOL OF BUSINESS AND LAW, UNIVERSITY FOR DEVELOPMENT STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF COMMERCE DEGREE IN ACCOUNTING.

JUNE, 2020

DECLARATION

Student

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this University or elsewhere:

Candidate's Signature:…………………………… Date:17/06/2020

Name: Ibrahim Adam

Supervisor

I hereby declare that the preparation and presentation of the thesis was supervised in accordance with the guidelines on supervision of thesis laid down by the University for Development Studies.

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ABSTRACT

SEND-Ghana (2008) report revealed that MMDAs have 130 deficits in infrastructure with majority of the MMDAs in the Northern Region and 45% of most local infrastructures remain uncompleted especially IGF finance infrastructure. The study assessed the nexus between internally generated funds and infrastructural development of the MMDAs in Northern Region of Ghana. The study specifically identify whether there is significance difference between IGF of the MMDAs in the Northern Region and national IGF average, to examine the effect of internally generated funds (IGF) on infrastructural development in the Northern Region of Ghana and to explore the challenges facing the MMDAs in the Northern Region in mobilizing and utilizing of internally generated funds (IGF). The study employed descriptive research design with a sample size of 127 selected through purposive and simple random sampling. Data was collected using closed and open ended questionnaire. The study employed one sample T-Test, Generalized Method of Moments and Kendall's Coefficient of Concordance. The study found out that there is difference in internally generated fund mobilization performance between the MMDAs in the Northern Region and that of the national internally generated average with MMDAs in Northern Ghana performing below the national average. Also, we observed there is positive relationship between internally generated fund and infrastructural development which is significant at all conventional levels. The positive effect of internally generated fund is significant irrespective of the model specification. Inadequate linkage between the tax payment and the services, weak tax rate payment, lack of enforcement of payment of property rates among others. The study recommends the MMDAs to be creative and innovative to enhance the mobilization of internally generated fund to enhance infrastructural development which is critical for local economic growth.

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DEDICATION

I dedicate this work to my father Chief Adam Dasana Prusaya (late) of Wulensi, my mother Zelia Mumin, My lovely wife Hajia Ramlatu Kadri and my children, Yasir Pumaya, Muhsin Tiyumba, Samira Katari, Saalim Suhuyini and Sudais Namzooya.

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CHRAJ	Commission on Human Rights and Administrative Justice
CSO	Civil Society Organizations
DACF	District Assemblies Common Fund
DAs	District Assemblies
DC	District Council
DCE	District Chief Executive
DF	Donor Fund
ERP	Economic Recovery Program
EXECO	Executive Committee
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GMM	Generalized Method of Moments
IGF	Internally Generated Fund
IGR	Internally Generated Revenue
IRS	Internal Revenue Authority
MMDAs	Metropolitan Municipal and District Assemblies
NDPC	National Development Planning Commission
NGOs	Non-Governmental Organization
NRCD	National Redemption Council Decree
NTR	Non-Tax Revenue
OECD	Organization of Economic Co-operation and Development
PDC	People Defence Committee

PNDCL	People National Defence Council Law
RCC	Regional Coordinating Council
SAP	Structural Adjustment Program
SMCD	Supreme Military Council Decree
SPSS	Statistical Package for Social Sciences
USAID	United States of America International Development

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the study

Internally Generated Revenue (IGR) is the revenue generated by local governments within its jurisdictional area of operations (ISSER, 2003). Internal generated revenue is the primary source of local government sustenance. The capacity of local governments to generate revenue internally is one very key indicator pre-requisite for the creation of a district assembly in Ghana. Local governments now face more challenges in terms of struggling to be less dependent on the central government or the state for financial resources hence the need for them to place, as a matter of urgency, a top most priority on their internal generation efforts (ISSER, 2003). This study is timely as it assesses and evaluates the sources of internally generated funding and its impact on institutional self-sustenance.

Funds are the lifeblood of every thriving institution and its complete absence or inadequacy can bring the operations of an organization to a halt. Throughout the world, institutions and organizations grow or sluggish base mostly on funding. In Ghana, district assemblies have two broad sources of revenue; the internally generated revenue and government direct funding. While government's direct funding has been shrinking relative to the people's development needs (recent capping of district assembly common fund). In recent times, government has grown weary of funding public agencies and institutions and prefers to wean off some institutions that can survive on their internally generated funds. This weariness that grips funding of public institution has been a subject of discussion in recent past and it consequences on local government infrastructure development (Bagahwa and Naho, 1995; Anuradha and Ayee, 2002; ISSER, 2003).

The pool of district financial resources in many developing countries might come from seven main sources: independent revenue sources or own sources (if any) assigned to the district (receipts from these sources accrue directly to the district), central government financial transfers to the district (which can have different forms), voluntary contributions by community or beneficiary groups, profits from public enterprises or rents from public properties, financial assistance from donor agencies, short and long term loans and other sources like penalties, selling property (Kroes, 2008).

Following the decentralization process, District Assemblies in Ghana now have the responsibility to plan and implement their own projects or programs including infrastructure development. The Gushegu District Assembly depends largely on internal sources for the daily running of the district administration. These include rates and receipts, royalties from lands, fees and tolls, licenses, rent, investments and other miscellaneous activities that accrue as a result of its own effort at revenue mobilization and generation. Externally, revenue also comes to the District Assembly from the Central Government in the form of Grant-in-aid and the District Assemblies' Common Fund. However Kessey and Kroes (1992) have noted that financing local development programs in Ghana has become so challenging that the survival of the decentralized development process, in operation, appears to be threatened. According to the district medium term draft plan (2010-2013) poor data base on revenue/ratable items, inadequate qualified revenue collectors, inadequate and poor marketing facilities, high rate of tax evasion, inadequate logistics to promote education on the need to pay taxes, lack of permanent internal auditors/local government inspectors, inadequate revenue mobilization capacity and weak tax/revenue collection mechanism are the major problems of the district revenue mobilization. Hence this research is designed to examine the extent to which internal generated revenue of the MMDAs in the Northern Region of Ghana can meet its infrastructural expenditure and other development needs.

1.2 Problem Statement

Local government authorities the world over faced greater challenges in the mobilisation of internally generated funds, since local government's institutions largely depend on central government for funding of which funding is irregular. These institutions are expected to work to justify the resources allocated to them. In Africa, almost all examples of institutional collapse and failures have been put down to funding (John, 2011). Institutions to a large extend, are able to operate to achieve their assigned objectives only if they have a reliable and sustainable source of funding.

However, anchoring on sustainable sources of funding has not been easy for Ghanaian public institutions. While government subventions are found to be insufficient, internally generated revenues are even poorest in its mobilisation. This leaves most institution in a big dilemma of stagnation in development. In most situations, statutory allocations from central governments to public institutions and local governments suffer huge delays. A report published by SEND-Ghana (2008) a civil society organization (CSO) to access the contribution of the District Assemblies' Common Fund (DACF) on development reported that delays in disbursement of the funds has crippled many infrastructural projects needed to accelerate local economic growth. The report revealed that MMDAs have 130 deficits in infrastructure with majority of the MMDAs in the Northern Region and 45% of most local infrastructures remain uncompleted especially IGF finance infrastructure. Medium term district development planning process shows that following the decentralized development programmes there seems to be high demand and expectation for an enhanced development on the part of local communities in the district. It is an economic fact that resources are limited and human needs are unlimited. The district resources envelop are limited and the infrastructure demands and expectations on the part of the community are high. It is based on this reason the study seeks to assess the nexus between IGF and infrastructural needs of the MMDAs in the Northern Region of Ghana.

1.3 Research Objectives

1.3.1 General Objective

To assess the nexus of internally generated funds (IGF) and infrastructure development of Gushegu District Assembly in the Northern Region of Ghana.

1.3.2 Specific Objectives

1. To identify whether there is significance difference between IGF of the MMDAs in the Northern Region and national IGF average.

2. To examine the effect of internally generated funds (IGF) on infrastructural development in the Northern Region of Ghana.

3. To explore the challenges facing the MMDAs in the Northern Region in mobilizing and utilizing of internally generated funds (IGF).

1.4 Research Questions

This research therefore seeks response to the following questions:

1. What differences exist between Internal Generated Fund (IGF) of the MMDAs in the Northern Region and national IGF average?
2. How does Internally Generated Funds (IGF) affect Infrastructural Development in the Northern Region of Ghana?
3. What are the challenges facing the MMDAs in the Northern Region in mobilizing and utilizing of internally generated funds (IGF)?

1.5 Significance of the Study

This study provides relevant data on internally generated funds and shows the extent to which District Assemblies are mobilizing and using such funds especially on infrastructure development. The research is highly relevant to government, civil society groups, policy think tanks, State agencies, policy makers and researchers in dealing with issues of public expenditure/funding and development.

This research is particularly useful to public institutions such as the MMDAs in the Northern Region of Ghana. The findings can generally enhance the mobilization, use and impact of internally generated funds in state/public institutions in Ghana. In addition, it would add to scientific knowledge and aid teaching and learning. Due to decentralization, districts in Ghana have taken various governmental roles and responsibilities.

The district councils were made the focal points of local government with administrative and executive power for local level development and governance. The nature of decentralization in Ghana, which includes political decentralization (devolution), administrative decentralization and fiscal decentralization has made districts to plan, implement, monitor and evaluate and co-ordinate their own development programs under the broader national framework or guideline. District development programs and plans which may have been initiated by the local communities or their representatives require sufficient amount of financial resources. The major sources of finance available for districts in Ghana comes from Central Government transfers, internally generated fund (IGF), grants and loans. It is a common planning practice that every year a number of projects may be initiated by the local communities and only few are taken to be part of the district plan. This is mainly because the available resources for plan implementation are so limited as compared to the demand for development projects. It is logically reasonable to think and thoroughly investigate the various sources of finance that the district has at hand.

It is under the above premise that this study is been initiated. The study has examined the policy environment, institutional and administrative set ups of IGF taking into account a time series data of the past five years of IGF performance of the MMDAs. The study has forwarded possible ways and means that may help to improve IGF and the implementation of decentralization program for better governance at local level.

The research benefits the MMDAs of Northern Region of Ghana by further clarifying the existing challenges and problems of mobilizing IGF in the district. The recommendations can be used by the district to improve IGF. The finding of the study may not be limited to MMDAs of the Northern Region of Ghana and hence it can be utilized by other districts in the country. Stakeholders involved in mobilizing IGF at local level may benefit from the findings and recommendations of the study as the study has clarified their role and coordination for improved functioning of the sector. Central government, donors, Lenders (loaners), NGOs and other development partners may use the output of the study as it may give them an insight how the district is mobilizing its local revenue and what efforts are being exerted. The above partner organizations may use the study to shape and strengthen their relationships with the district.

1.6 Scope and Delimitation

The study is focused on the assessing the nexus between IGF and infrastructure development in MMDAs of the Northern Region of Ghana.

1.7 Limitations of the Study

The study find it difficult getting data on the internally generated fund, donor fund, central government transfers and amount invested in infrastructural projects owing to the sensitivity of this information which caused the delay of the study. Notwithstanding the challenges we were able to obtain the data needed to meet the requirements of the econometric tools employed in the study.

1.8 Organization of the Study

The research report is organized into five (5) chapters;Chapter one (1) is the general introduction of the report, containing the background of the study, problem statement, research questions, research objectives, significance of the study and limitations of the study.Chapter two (2) contains the literature review that has been carried out under this work.Chapter three (3) has the methodological frame work and profile of the study area.Chapter four (4) contains data presentation and discussion of findings.Chapter five (5) is the final chapter of the research report and contains the summary of the principal findings, conclusion and recommendations for government and policy makers.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The United Nations (1962) provides a standard definition of decentralization. It defines decentralization as "the transfer of authority on a geographic basis whether by deconcentration of administrative authority to field units of the same department or level of government or by political devolution of authority to local government units, or by delegation to special statutory bodies". Rondinelli (1989) defines decentralization as "the transfer of the responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide, regional or functional authorities, or non-governmental private or voluntary organizations" (Rondinelli 1989). Rondinelli classified the forms of decentralization into four: namely deconcentration, delegation, devolution and privatization.

In Ghana the earliest attempts at local administration was witnessed during the colonial era. It started with the establishment of 355 native authorities, which centered on a chief or some unit of local royalty which was not well-defined. The native authorities were not democratic but were mere representatives (as they were hand-picked). Their main interests were to help the British colonial government with limited involvement in local administration to administer law and order.

The Municipal Ordinance of 1859 established municipalities in the coastal towns of the Gold Coast. In 1943, a new Ordinance established elected town councils for Accra, Kumasi, Sekondi-Takoradi and Cape Coast. In 1953, the Municipal Councils Ordinance was passed. After independence, this was followed by the Local Government Act 54 of 1961. In all of these pieces of legislation, the distinction between central and local government institutions was maintained. In terms of this distinction, there have always been two different machineries for the administration of Ghana: one based in the capital with branches at the local (district) level; and another separate and district level, based in well-defined localities and referred to as local government.

To enhance the financial sustainability of the District Assemblies (DAs), the District Common Fund was established. Act 455 which established the DAs Common Fund defines the "total revenues of Ghana" for this purpose to mean "all revenue collected by or accruing to the central government other than foreign loans, grants, non-tax revenue and revenues already collected by or for DAs under any enactment in force". The object of the Common Fund is to make available to the DAs additional resources for development. The allocation and disbursement of the Common Fund commenced in 1994 and has made a great impact on the finances of the DAs and on local development. In 1994, c38 billion was transferred. This constituted 19.6% of the central government's total domestic development budget for the year.

In 1995, an estimated c55.97 billion (old cedis) representing 28.57% of the total domestic development budget was transferred. The 1996 transfer of c82.10 billion (old cedis) represented 25.50% of the total domestic development budget. Apart from these allocations, the Local authorities were empowered to charge and collect developmental rates based on a certain percentage of the income of the rate payers. The DAs enjoyed the social autonomy of providing certain social services to the community, for instance the local government was vested with the responsibility of healthcare services delivery with the transfer of primary healthcare delivery system, providing basic school infrastructure and the provision of other social amenities. DAs are expected to expand their revenue to the extent that they can operate with minimal or no central government funding.

2.1 Theoretical Framework

2.1.1 The Theory of decentralization

One of the most convincing interpretations of decentralization is that of Fesler, Conyers and Rondinelli (2005). Fesler views decentralization as a complex issue, both as a concept and in practice; he looks at it from four viewpoints: decentralization as a doctrine, as political process in a given political setting, as an administrative problem, and finally as an administrative process involving forced choices and changes in the function and area-based administration, and between the regulatory (law and order) and development functions of appointed and elected officials.

Conyers, like Fesler, notes that discussion on decentralization can easily become confused because of analytical problems surrounding the concept of decentralization. Conyers accepts the definition of decentralization by Rondinelli, that is, as the transfer of "authority to plan, make decisions and manage public functions" from the national level to any individual, organization, or agency at the sub-national level. It is at the same time pointed out by Conyers that the definition limits attention to “territorial” as opposed to “functional” decentralization. It excludes the question of transfer of authority from central to peripheral organizations at the national level, for example from a government department to a parastatal agency.

On the question of the relationship between centralization and decentralization, Conyers, Rondinelli, Faltas (2005), and others appear to resonance the opinions of Fesler (2006) in proclaiming that both “centralization” and “decentralization” should be viewed as processes of change, rather than static. Additional it is argued further that it is not possible to envisage a totally decentralized system of government, and to conclude, that centralization and decentralization can take place concurrently.

Rondinelli, Nellis, and Cheema (2004) have reviewed the current experiences of decentralization in developing countries, finding that objectives of decentralization may be largely categorized into (a) administrative and management, and (b) political. The political objective assumes that local government or administrative units can provide an effective channel of communication between the national government and local communities. It further assumes that “greater participation in development planning and management apparently promotes national unity by giving groups in different regions in a country a greater ability to participate in planning and decision making, and thus increases their stake in maintaining political stability.”

Administrative and management objectives mainly rely on the deconcentration of authority to appointed officials to quickly react to unanticipated problems. It is important, however, to point out that the line of difference between political and management and administrative objectives is often, in the real world of government, very thin indeed.

Rondinelli, Nellis, and Cheema (2004) view decentralization as an “ideological principle associated with objectives of self-reliance, democratic decision making, popular participation in government, and accountability of public officials to citizens.” In this they appear to differ from the line reasoning advanced by Fesler (2006), who cautions against a doctrinal approach and in fact rejects it. He also does not accept the argument that decentralization contributes to democratic decision making. He finds that in the doctrinal approach “there is a tendency to link, then merge and confuse, decentralization and democracy.”

It is argued that in so far as developing countries are concerned the typologies of devolution, deconcentration, delegation, and privatization may not truly reflect the underlying objectives of decentralization that a given country adopts. This has been shown by Conyers in the case of Zambia. Rondinelli has accepted the fact that there can be one or a combination of objectives and forms of decentralization. He has further argued that ultimately decentralization is a political decision, “and its implementation a reflection of a country’s political process.” Conyer’s arguments, centering on the objectives of decentralization, also support the overwhelmingly political connotation inherent in any effort at decentralization.

The United Nations (1962) provided a definition of decentralization. It defines decentralization as “the transfer of authority on a geographic basis whether by deconcentration of administrative authority to field units of the same department or level of government or by political devolution of authority to local government units, or by delegation to special statutory bodies". Decentralization refers to "the transfer of political power, decision making capacity and resources from central to sub-national levels of government" (Walker, 2002). Rondinelli defines decentralization as "the transfer of the responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations, area-wide, regional or functional authorities, or non-governmental private or voluntary organizations" (Rondinelli, 1989).

Rondinelli classified the forms of decentralization in to four: namely deconcentration, delegation, devolution and privatization. Decentralization became an important policy objective since the 1970s and 1980s as governments in developing countries sought to create more socially equitable pattern of economic growth and to meet the basic needs of the poor. Many countries are decentralizing fiscal, political and administrative responsibilities to lower-level governments, the private sector and non-governmental organizations.

There are number of rational justifications for decentralization. Among others, decentralization policy is pursued because of its essential effects on resource mobilization and allocation, macroeconomic stabilization, service delivery and equity, which affect local economic development and poverty reduction. It is this development potential that gives the greatest appeal to decentralization policies in most developing countries (Ikeanyionwo 2001). According to Reagen (1993) decentralization has two main objectives namely promotion of popular participation in decision making and a more efficient locally based administration. These may result in making development plans more responsive to local conditions and resource mobilization for self-sustained local development. A number of arguments have been advanced to support decentralization. Hadingham (2003) summarizes these as;

a) Allocative efficiency: Local authorities are more sensitive to local priorities and needs,

   and can modify service provision to reflect this;

b) Information provision: Local government can keep people informed as they are in direct contact with users of services;

c) Responsiveness: The proximity of local government to service users means that they can be more responsive to local needs than central government;

d) Local revenue maximization: Local authorities can optimize local sources of revenue by levying local taxes, fees and user charges and using the income locally; and,

e) Accountability: Local communities are better placed to influence politics and policy at the local level than at the national level. Communities can put direct pressure on local authorities if they are unhappy with the delivery of services. However, decentralization is not without its risks (Hadingham 2003):

f) Elite capture: Local elites may capture the benefits of decentralization and are not necessarily more pro-poor than national elites;

g) Revenue minimization: Local government may have limitations in their capacity to mobilize local financial resources, or be unwilling to do so;

h) Corruption: More people have political influence under decentralization and consequently the risks of corruption may be higher;

i) Weak administrative and management systems: The transfer of responsibilities and resources to local government requires effective and efficient administrative and management systems, which may take a while to develop at the local level;

j) Lack of participation: The decentralization of resources and authority will not automatically result in more participatory and inclusive processes and top down approaches to development may continue regardless;

k) Poor human resource base: Professional staff is often unwilling to live and work in remote areas. Staffs that are available are often poorly trained, lacking in motivation and have low levels of capacity. The way in which decentralization is undertaken and the impact that it has is heavily dependent on the context in which it takes place. Consequently, it is not easy to generalize about what makes the implementation of decentralization successful. And hence it is quite difficult to generalize on the extremes.

2.1.2 The Theory of Fiscal Decentralization

Fiscal decentralization can be defined as a two-dimensional policy institution that involves either decentralisation of a tax instrument, when local governments have the power to raise taxes, or decentralisation of expenditures when local governments bear the responsibility for implementing expenditure functions (Porcelli F., 2009). The way in which fiscal decentralisation affects the "quality" of government activity can be seen from different points of view and operates through many mechanisms. On the other hand the huge amount of theoretical and empirical literature that studies the relation between decentralisation and government efficiency can be divided into two large areas:

i. The classical theory

ii. The second generation theory

Although the theoretical justification of this research is mainly supported by the more recent literature, however, for the purpose of this study the researcher will review literature on the classical theory.

The classical theory of fiscal decentralization

According to Tiebout's model of local public good provision (Tiebout, 1956) decentralization coupled with mobile households solves the problem of the efficient provision of public goods. Essentially local governments compete in offering a mix of tax and public goods, and citizens "choose by their feet", deciding where to live according to their preferences about tax and public goods. The second and maybe most influential contributions is Oates (1972) decentralization Theorem that solves the trade-off between centralised and decentralised provision of public goods in favour of the former (centralisation) if average preferences across citizens of different region are equal, and the consumption of the public goods generates spill-over effects; whereas a decentralised provision maximises social welfare when preferences differ across regions and spill-over effects are absent.

The theorem hinges on the crucial assumptions that governments operate in order to maximise social welfare and that in case of centralisation there is a uniform provision of public goods. Finally the most important contribution in the public-choice perspective of fiscal federalism is Brennan and Buchanan (1980) Leviathan hypothesis, according to which fiscal decentralisation is a mechanism for constraining the expansionary tendencies of governments. Under this approach central governments do not maximise social welfare and operate like monopolists (or leviathans) in order to increase their control over the economy's resources.

2.1.3 The Recent Theories

Efficiency Services Theory

The advocates of this theory believe that the idea of democracy advocated by Mills and Panter above do not apply to different political system in the same manner especially in the face of modern realities. The crux of their theory is that the main purpose of local government is to provide services to the local people. Foremost among the advocates is the French scholar Langood (1953) who opined that democracy was the affairs of the nation-state as a whole issue of majority rule, equality and uniformity are the norm.

Local government by contrast was parochial and concerned with local differences and separation. The two are opposed and it was only a historical accident that they had developed together in the 19th century. He went on to say that it was equally false to see local government as a setting for political education and democracy. To him, the local arena has only succeeded in breeding few national leaders. Local politics is more likely to reinforce narrow sectional interests than an appreciation of democracy. The citizen is more likely to learn about democracy from national politics and national issues.

Arguing in the same vein, Moulin points out that local government is so restricted while national goals are wider in scale. Local experience and knowledge is hardly appropriate to national affairs. Sharpe (1970) provided a very strong case for local governments on the grounds that it was the most efficient agent for providing those services that are essentially local. He suggested that the efficient performance of these services is so compelling that if local government does not exist, something else will have to be created in its place, meaning the institution is indispensable. Even a decentralized form of national government cannot play this role because of the level of coordination local government can forge cannot be undertaken by such an alternative. The main functional responsibility of local governments therefore is to efficiently carry out local duties allocated to it, at the highest efficiency rate of a local government.

This is because it is only the source of money that the local government has control over. As such, the extent to which a local government can go in accomplishing its goal will largely depend on its IGR strength (Adebayo, and Rowland, 1974). The capacity of a local government to generate revenue internally is one very critical consideration for the creation of a local government council. Local Government means different thing to different people as reflected in various school of thoughts, while some scholars argues that local governments exist essentially as democratic institutions as their job is to foster representative and participatory democracy at the local level of governance, others feel the local governments should focus more on service delivery for those tangible things communities required.

Market failure theory

The role of government in this view is seen as the correction of 'market failure'. Proponents of this theory believe that market failure is a reason for local government activity. The state intervenes to make corrections where the market fails. There is, however, an important caveat to this argument. Since the 1970s there has been increasing awareness that 'market failure' need not necessarily imply 'government success', though these ideas have a long history (Sidgwick, 1887; Coase, 1964). Stigler (1970) likens awarding roles to government on the basis of market failure to the example of a Roman Emperor judging a music competition for which there were two contestants. After the Emperor heard the first contestant he immediately awarded the prize to the second (Olson, 1987, pp. 94–95). Despite this criticism, market failure arguments are widely used to define the role of government and we adopt the approach here. There are a number of ways in which the market may fail. The market may fail due to lack of competition, due to the existence of public goods or externalities, due to information problems and incomplete markets or there may be macroeconomic problems in the form of unemployment or inflation (Stiglitz, 2000, p. 85).

Most of these market failures lead towards arguments for intervention by the national government and we will not pursue them in detail here. However, public goods in the form of local public goods are usually taken to be the main justification for local government activity (King, 1984, p. 6) so it is worth outlining their nature. Public goods are goods that are both non-rival and non-excludable. Classically, national defence is such a good. Non-rivalness is a form of economy of scale (Olson, 1986, p. 121) in the sense that providing, for example, a nuclear deterrent for everybody in the nation is no more expensive than providing it for just one person. Centralised provision is therefore cheaper (McKinnon and Nechyba, 1997, p. 5).

Non-excludability means that it is impossible, or too costly, to exclude anyone who does not pay from receiving the good, and non-excludability, working in combination with non-rivalness means that people are likely to attempt to free-ride on the efforts of others in providing public goods and as a result there is under-provision by the market.

2.1.9 Evidence of the Impact of Fiscal Decentralization on Economic and Fiscal Variables

Decentralization has generally positively impacted education outcomes. In Bolivia, Faguet (2004) found that decentralization made public investment in education and other services more responsive to local needs. In Indonesia, Simatupang (2009) and Qibthiyyah (2008) also noted improved education outcomes after decentralization, such as in overall and female literacy rates, years of schooling, and dropout rates for primary and secondary education. In Colombia, Faguet and Sánchez (2006) found that decentralization improved public school enrollment, and Barankay and Lockwood (2007) stated that the degree of decentralization was positively related to educational attainment in Switzerland.

Peña (2007) and Solé-Ollé and Esteller-Moré (2005) found that the proportion of successful students in the last course of secondary education in Spain improved with decentralization, mainly due to increases in government efficiency. Finally, Habibi et al. (2003) noted that decentralization had a positive, significant impact on secondary enrolment ratios in Argentina, and King and Özler (1998) similarly discovered that a decentralized education program much improved test scores in Nicaragua.

In the health sector, decentralization has had more mixed results. In Argentina, Habibi et al. (2003) found that revenue decentralization had a significant impact on decreasing infant mortality, and Robalino, Picazo, and Voetberg (2001) similarly discovered that countries where local governments manage a higher share of public expenditures tended to have lower mortality rates. Khaleghian (2003) noted that expenditure decentralization was positively related to improved health outcomes in low- and middle-income countries, while Robalino, Picazo, and Voetberg (2001) posited that decentralization may lead to increases in regional disparities in health expenditures due to the absence of a mechanism to transfer resources from rich to poor jurisdictions. Strumpf et al. (1999) stated that local government health planners allocated declining proportions of their budgets to public service activities. Schwartz, Guilkey, and Racelis (2002) suggested that local public health expenditures increased after decentralization but, over time, local governments decreased the share of revenue allocated to public health.

Regarding other services, the evidence on the impact of decentralization is also mixed but strongly positive. In Porto Alegre, Brazil, Santos (2005) noted that decentralized participatory budgeting by citizens led to increased access to water and sewage services. In the Republic of Korea, Wade (1998) found increases in efficiency in decentralized irrigation systems as opposed to inefficient centralized systems in India. For infrastructure, the World Bank (1994) cited numerous cases in which delivered infrastructure in decentralized settings was of better quality and completed at lower costs than in centralized settings.

A growing number of household surveys have also shown more citizen satisfaction with decentralized delivery. In Indonesia, Hellman et al. (2003) found this to be true, but there were some problems because the selection of the centralized services for the survey-police protection-may not have been balanced in what people generally say they like. Azfar, Kähkönen, and Meagher (2001) and Azfar and Livingston (2002) found for the Philippines and Uganda that after decentralization, local budgets better matched citizens' priorities, or were perceived to do so.

The proposition that fiscal decentralization enhances economic efficiency may have a corresponding effect on the dynamic setting of economic growth (Oates 1993). Theoretically, according to Couderc and Ventelou (2005) and Brueckner (2006), fiscal autonomy is associated with higher output per unit of labor and higher steady state growth rates. However, a causation path is not clear, and decentralization may affect growth indirectly through its impact on other economic variables (Martínez-Vázquez and McNab 2002). In fact, empirical evidence is mixed, with Xie et al. (1999), Zhang and Zou (1998), Lin and Liu (2000), and Thiessen (2003) finding negative impacts. Martínez-

Vázquez and McNab (2003) cited no direct effect on economic growth but an indirect effect through macro stability. More recently, Feld et al. (2004) noted that in Switzerland, greater subnational fiscal autonomy has led to faster economic growth, and that matching grants from the center reduced growth. Qiao et al. (2008) find a positive impact of fiscal decentralization on growth in the PRC. Traditionally, some authors (e.g., Tanzi 1995, Prud'homme 1995) and the International Monetary Fund have warned about the macro dangers of decentralized regimes, while others (McLure 1995, Sewell 1996) have minimized these claims, but without empirical corroboration. Raw deficit and debt level figures do show that central governments are less fiscally disciplined, although different degrees of fiscal coordination exist.

Earlier empirical evidence on the impact of fiscal decentralization on macroeconomic stability is mixed. Where macroeconomic instability predated decentralization, such as in Argentina and Brazil, decentralization has not made economies worse (Dillinger, Perry, and Webb 2000). There may be a correspondence between increases in subnational deficits and central government expenditures and deficits in the subsequent period (Fornasari, Webb, and Zhou 2000). Further, no clear relationship appears to exist between decentralization and the level of inflation (Treisman 2000; Rodden, Eskeland, and Litwack 2003). More recently, Martínez-Vázquez and McNab (2003) found that revenue decentralization led to more price stability, especially with revenue decentralization.

Traditionally, there are two competing arguments regarding the effects of decentralization on poverty. Traditional public finance literature advises against the participation of subnational governments in redistributive policies (Stigler 1957, Musgrave and Abel 1959), but there is growing recognition of the important role of subnational governments in facilitating, catalyzing, and coordinating the implementation of pro-poor policies (Bahl et al. 2002). According to Bahl et al. 2002, Fiscal decentralization can directly affect poverty especially improvement in the infrastructural stock of the local economy and income inequalities in a myriad of ways, and they ultimately depend on the specific characteristics of each fiscal decentralization process. For example, fiscal decentralization can alter poverty and income inequality through its effects on the composition of public expenditures. ArzedelGranado et al (2005) found that the share of education and health in total government expenditures increased with fiscal decentralization. However, Bardhan and Mookherjee (1998) suggested that the benefits of decentralized service delivery may primarily go to local elites.

Sepúlveda and Martínez-Vázquez (2010) recently found that decentralization has a positive (i.e., nonlinear) effect on measures of poverty and the Human Development Index. The impact on income distribution was also positive when the relative size of the government sector in the economy is large. With similar results, Crook and Manor (1998) and Crook and Sverrisson (2001) noted the positive impact of political and administrative decentralization on poverty reduction outcomes in some selected developing countries. Similarly, Von Braun and Grote (2002) and Lindaman and Thurmaier (2002) discovered the positive impact of decentralization on poverty as captured by the Human

Development Index. Galasso and Ravallion (2001) noted that Bangladesh's food-for-education program became more pro-poor with decentralization and Bardhan and Mookherjee (2003) suggested that decentralized management advanced poverty alleviation goals in West Bengal, India.

Yet other studies have shown that decentralization can negatively impact poverty levels. West and Wong (1995) found that decentralization resulted in lower levels of public services in poorer areas of the PRC, and Ravallion (1998) observed that decentralization generated substantial inequality in public spending in poor areas of Argentina. Azfar and Livingston (2002) found no evidence of improved efficiency and equity of local public service delivery associated with decentralization in Uganda. Decentralization may also contribute to increased disparities due to differences in institutional capacities and socioeconomic endowments among areas. Further, decentralization may imply a reduction of the influence of poorer areas over the allocation of financial resources and transfers (Cheshire and Gordon 1996, Prud'homme 1995, Rodríguez-Pose and Gill 2005, Besley and Ghatak 2003).

On the other hand, decentralization may contribute to reducing disparities because of greater transparency and by bringing more efficiency and equalization. For example, Québec's more progressive and egalitarian welfare state compared to other provinces may have later contributed to strengthening social protection elsewhere in Canada (Béland and Lecours 2010). Others have also found that decentralization is associated with a general reduction in territorial disparities, including Weingast (1995), McKinnon

(1997), Qian and Weingast (1997), Shankar and Shah (2003), and Rodríguez-Pose and Gill (2005).

In addition, positive results have been found in most single-country studies, such as those by Qiao et al. (2008) for the PRC, Bonet (2006) for Colombia, Bagchi (2003) for India, Hill (2008) for Indonesia, and Silva (2005) and Hill (2008) for the Philippines. Others have found conclusions that go both ways depending on various conditions such as the wealth of a country, dimension of its existing disparities, and presence of solid fiscal redistribution systems (Rodríguez-Pose and Ezcurra 2010). This line of research is still evolving, and significant progress has yet to be made with data and decentralization measurement to establish the causal link between decentralization and pro-poor service delivery.

Special attention has been given to the decentralization experience of the PRC. Several papers, such as those of Qian and Weingast (1997) and Qian and Roland (1998), suggest that decentralization there provided incentives to local governments for economic success. In the view of those authors, the country's township and village enterprises were sources of growth and an example of "market-preserving federalism." In contrast, Ponomareva and Zhuravskaya (2001) note that Russian Federation's decentralization provided negative incentives to development through the "clawback" of any additional revenues generated by subnational governments via the reduction of central government transfers. Not much is known about how decentralization may contribute to the development of local economic activity; the doubt lingers in the literature that local officials may not always be the best entrepreneurs, because they may lack business experience and do not take decisions assessing the proper business risks.

The most common theoretical rationale for decentralization is to attain allocation efficiency among different local preferences for public goods and services (Musgrave, 1959; Oates, 1972). Financial responsibility is a core component of decentralization. If decentralized units are to carry out their responsibility effectively, they need to have adequate level of revenues – raised locally and/or transferred from the central government or from other sources – as well as the authority to make decisions about expenditures. This process of distribution of public finance and responsibilities to the various levels government is usually referred to as fiscal decentralization. The theoretical case for fiscal decentralization dates back from 17th and 18th Century philosophers, including Rousseau, Mill, de Tocqueville, Montesquieu and Madison. Central governments were distrusted and small, democratic governments were seen as the principal hope to preserve the liberties of free men (Gill 2000).

The emphasis of fiscal decentralization is to strengthen sub national finances and thus their capacity to provide public goods and services. The idea is to give local governments some revenue authority and expenditure responsibility, and allow them to decide on the level and structure of their expenditure budgets. In this way the local people will be able to articulate their needs and preferences, and participate in governing their affairs. Fiscal decentralization as a means of achieving local development is based on two main arguments namely economic efficiency and local revenue mobilization (Bahl and Linn, 1992; Oates 1993).

The efficiency argument is that fiscal decentralization moves government nearer to the people and makes local governments more responsible for decisions about the level and mix of taxes and expenditure, thus increasing welfare. The revenue mobilization argument for fiscal decentralization centre’s on the fact that a decentralized tax structure might actually lead to an increase in the overall rate of revenue mobilization. Typically central governments collect taxes with a high threshold, which leaves many individuals and small firms outside the tax net.

What this means is that a significant proportion of taxable capacity is left out of the tax base because of central governments lack the familiarity with the local tax base, which makes it difficult to identify small taxpayers and maintain tax toll. Secondly, the revenue gains from bringing small taxpayers into the tax net are small and negligible compared with the mobilization costs. However, local governments do have familiarity with the local tax base because of a variety of licensing and regulatory activities in property and land based transactions. Also, the potential revenue yield from these local taxable activities may be a sizeable part of the local government budget. Therefore, local governments might be able to reach these small payers through local taxes, rates and user charges for the provision and maintenance of local public services at lower cost than the central government.

According to Paul Smoke (Smoke, 2001) key elements that should be included in a good fiscal decentralization program are: an adequate enabling environment; assignment of an appropriate set of functions to local governments; assignment of an appropriate set of local own-source revenues to local governments; the establishment of an adequate intergovernmental fiscal transfer system; and the establishment of adequate access of local governments to development capital. Now let as see in a little detail two of the element which are more important for the research at hand: an adequate enabling environment and assignment of an adequate set of local own-source of revenues.

i) An adequate enabling environment

An enabling environment for fiscal decentralization can begin with constitutional or legal mandates for some minimum level of autonomy, rights and responsibilities for local governments. This provides a foundation on which to build decentralization, but it does not by any means guarantee successful fiscal decentralization. There are many countries with constitutional clauses and laws on local government that have not managed to decentralize successfully. A good example is Indonesia, which became more fiscally centralized after a major decentralization law was passed in 1974 (Smoke and Lewis, 1996). On the other hand Ethiopia and Uganda, no little legislation but are often-cited cases of recent good performance (Bahl 1997 and World Bank 2000).

First, in both countries, emerging political conditions have led to a strong national will to decentralize, second, both countries have recently developed unusually robust and clearly defined constitutional and legal provisions to support decentralization and the strengthening of decentralized levels of government, third they established institution to oversee and co-ordinate decentralization and local government reform and fourth both Ethiopia and Uganda recognized that effective local governments must have adequate resources to meet their responsibilities under decentralization.

ii) Assignment of appropriate revenues to local governments

Central governments generally attempt to assign local government's revenue bases that are relatively immobile and should therefore not lead to serious spatial efficiency effects, which do not compete seriously with central tax bases and so on. Paul Smoke (2001) identified four particularly problematic concerns on the revenue side. First, assigned revenues are almost never adequate to meet local expenditure requirements. This means that central government transfer programs are inevitably required. Second, local governments often use too many unproductive revenue sources that barely cover the costs of collecting them. Third, the same lack of attention and capacity to implementation also plagues the revenue side. Fourth, individual local revenue sources suffer from some serious design problems, such as static bases, overly complex structures and ineffective collection mechanisms. District Assemblies in Ghana have three major sources of financial resources: IGF, Intergovernmental Fiscal Transfers, and other Financial Arrangements. These sources are explained in detail as follows.

Internally generated revenues of the sub-national governments are basically the own-sourced revenues of District Assemblies'. Internally generated revenue as per the Sixth Schedule of the Local Government Act, 1993, Act 462 consists of funds collected exclusively by or for sub national governments. These revenues could be grouped broadly into tax and non-tax sources. Tax revenues are the compulsory payments and include taxes chargeable on the incomes of self-employed persons, businesses and property. The non-taxable revenues are voluntary payments or contributions paid by specific beneficiaries of the districts' services. These include user fees/charges, licenses, permits and royalties. The Minister for Local Government and Rural Development is responsible for issuing guidelines for levying rates. Based on the guidelines, fee fixing resolutions are passed by MMDAs upon which revenues are collected.

According to a study by World Bank (2000) the following major problematic concerns were identified. These issues include the legislative provisions, implementation strategies and designs, funding relationships as well as issues about economic efficiency and accountability which determine the magnitude of revenues to be generated in the District Assemblies'. Although adequate legislation has been instituted to enable DAs to harness internally generated revenues, there are four serious design problems that districts face (Inanga and Osei-Wusu 2004).

First, tax bases of local governments are static because of weak databases for determining revenue potentials. Areas within the districts where revenue could be generated are not well identified and therefore the revenue collection level is not optimal. Second, there are complex structures in terms of planning for revenue collection in some of the districts. Third, mechanisms for collecting internal revenues are ineffective. For instance, revenue collections from property rates are low because properties have not been properly valued. Furthermore, there are inadequate revenue collectors in most districts. The fourth design problem is the absence of appropriate sanctions or punishment for tax defaulters. Most residents, especially traders, do not feel obliged to pay taxes.

Studies have revealed that locally own-sourced revenues do not cover local government expenditure responsibilities in Ghana. Intergovernmental fiscal transfers are therefore needed to cover this fiscal imbalance. It is observed that there are significant variances in terms of the magnitude of revenues generated by DAs due to differences in revenue-generating potentials. Thus, intergovernmental transfers can be used to meet national redistribution objectives to offset the fiscal capacity differences among sub-national governments. In addition intergovernmental fiscal transfers could be used to encourage local expenditure on goods and services that exhibit positive externalities. In Ghana, such transfers are intended to support poverty reduction and specific sector activities in the districts (Inanga and Osei-Wusu 2004).

Different types of fiscal transfer systems are used worldwide in different circumstances. In Ghana, three main inter-governmental fiscal transfers can be identified from the legislative provisions (Inanga and Osei-Wusu 2004). These are the District Assemblies' Common Fund, Recurrent Expenditure Transfers, and Ceded Revenues.

Article 252 of the 1992 Constitution of the Republic of Ghana, provides for the establishment of a District Assembly Common Fund (DACF). The DACF is established under an Act of Parliament, Act 455, and refers to the allocation of not less than 5 per cent of 'total national revenues' to MMDAs. The fund is distributed to all MMDAs on the basis of a formula approved by Parliament, payable in quarterly instalments and administered by the DACF Administrator. The DACF is intended to encourage local expenditure on specific goods and services such as those attributable to poverty alleviation programs.

Since 1995, the central government has assumed responsibilities for salaries as well as pensions of district staff provided they fall within the approved manpower ceilings of the assemblies. Other operational and administrative expenses of the assemblies are also borne by the central government.Revenue sources which hitherto belonged to the central government, but which have now been ceded to the district assemblies are considered as ceded revenues. These include entertainment duties, casino revenues and income tax on the registration of trade, businesses, professions as well as rates and levies on crops other than cocoa, coffee and cotton.

The two sources of revenues available to the DAs are internally generated revenues and the intergovernmental fiscal transfers. While these sources of revenue are crucial in financing expenditure, there are other financial arrangements that could finance districts' capital expenditure. Intergenerational equity considerations suggest that capital investments should not be financed through increased local taxes because the long gestation period of returns from such investments accrues at a future date. The welfare of future generation would be improved when capital investments are carried out today and they should therefore pay for these services under equity considerations. Additionally, the problems associated with obtaining adequate funds from own sources and fiscal transfers create a need for funds from other sources (Inanga and OseiWusu 2004).

Such financial arrangements could come either from statutory provisions, or partnerships with other institutions, and/or self-sustaining initiatives of the various DAs. Four main mechanisms have been identified as a possible financial arrangement for districts capital investment needs in Ghana:

i. grants from national governments and donors;
ii. borrowing from financial markets;
iii. proceeds from investment funds; and
iv. Non-monetary arrangements such as communal labor, community self-help projects and contributions from organizations and individuals.

2.1.4 Powers/Roles/Functions and Authority of Districts Assemblies.

In November 1996, the then Ministry of Local Government and Rural Development published a second edition of a book on Ghana's New Local Government System. One can conjecture that one of the reasons behind this publication was to make explicit the roles that were to be performed by the various levels of government as envisaged by the Local Government Law of 1988, PNDCL 207. It is stated on page two (2) of that document that:

a) Central Government Ministries / Departments are to undertake policy planning, monitoring and evaluation of policies and programmes;

b) Regions through the Regional Co-ordinating Councils and their respective Regional Planning Coordinating Units to play the important role of co-ordination, not in a regulatory manner but to ensure consistency, compatibility and coherence of district level development.

c) District Assemblies to be primarily responsible for the implementation of development policies and programmes.

The above is what role classification and authority mobilization in decentralization upon which the international best practice of the subsidiary principle is anchored against. In the case of Ghana, the practice become to be that there are too many actors and maters exercising overlapping powers. Central government agencies and functionaries still cling on to decentralized power. Sub national authorities are still viewed by many as were appendages to an all-powerful central government. Roles are blurred and confused. Ghana Poverty Reduction Strategy 1 and 2 documents clearly indicate what is to be done within decentralized management to achieve national development.

2.2.1 The Human Resource

Act 462 of 1993 stipulated that 13 Departments of Municipal Assemblies and 11 Departments of District Assemblies were to be set up to perform the functions which were hitherto performed by 22 central government agencies. The latter were to cease to exist once the new departments were established. Act 656 of 2003 also demanded same. In line with international best practices, the DAs were to have responsibilities under PNDC L 327 for the preparation, administration and control of budgetary allocations for the departments. This obviously entailed serious implications for the structure personnel arrangements, and channels of communication of the new departments. It is obvious that a clear break away from the existing human resource management and control in local government by central government ministries and departments was anticipated. The new arrangements were found necessary for a number of reasons including the following:

a) To equip the DAs with the requisite bureaucratic and technocratic support and capacity,
b) To avoid duplication, rivalry, unnecessary empire building and waste of scarce resources,
c) To promote and sustain co-ordinated and integrated planning and implementation and ensure complementarily of services.

It was provided that staff of the DAs was to be officers of the DAs. These officers were to include civil servants and public officers who were listed in the 22 departments. Therefore, for purposes of day-to-day administration, discipline, performance appraisal, technical guidance etc. these officers were to come directly under the DAs.

Act 462 further envisaged the establishment of a Local Government Service by an Act of Parliament. The objective of the Service was to create a loyal, motivated and dedicated organization of technocrats, bureaucrats and administrators to provide the manpower capacity to the local governments to translate their power and resources into a development phenomenon. The thinking behind financial arrangements in PNDCL 207, chapter 20 of the 1992 Constitution and Act 462 of 1993 was that the DAs were to be made financially autonomous in order to be able to undertake their assigned functions. As is well known external and internal sources of funding have been provided.

However, the key issues of fiscal decentralization and composite budgeting remain intractable to deal with. While granting that some of the DAs have not been up-and-doing in internal revenue mobilization, and that poor financial management affects the judicious use of financial resources in the DAs, it is also true that the centre still calls the big shorts in public financial management in Ghana.

2.2.2 Arguments for fiscal decentralization

The modern case for decentralized government was articulated by Wolman (in Bennet, 1990).Wolman divided the proponents' arguments of fiscal decentralization under two headings namely, efficiency values and governance values.

Efficiency Values

Efficiency is an economic value seen as the "maximization" of social welfare. The public sector does not contain the same price signals as the private sector, to regulate supply and demand. However, within any political jurisdiction, some people will prefer more, some less, public services. As a result there is a "divergence between the preferences of individual community members and the tax and service packages reflecting the aggregate community preferences". Since such divergence reduces social welfare, it is desirable to hold those to a minimum and they will be less in smaller communities (e.g., municipalities) than in larger, more heterogeneous areas (the nation).

Governance Values

Governance values include responsiveness and accountability, diversity, and political participation (Wolman, 1997). Decentralization places allocational decision making closer to the people. This fosters greater responsiveness of local officials and greater accountability to citizens. This is because we expect local decision makers to be more knowledgeable about the problems and needs of their local area than centralized decision makers. Further, to the extent that there is accountability through local elections, those elections are more likely driven by issues of local allocation, whereas national elections are seldom focused on local service delivery. Diversity in public policy is a second governance argument for fiscal decentralization. It is valued because it offers citizens a greater choice in public service and tax options when they are deciding where to reside (Tiebout, 1956).

In addition, it helps to create “laboratories” for innovation and experimentation, which sometimes serve as models for later implementation by the central government or by example to other local governments. While there is no theoretical reason why a central government could not be diverse in its solutions, there is great pressure on the central government towards uniform policies and procedures. Finally, fiscal decentralization is thought to enhance political participation at the local level. This has the potential to enhance democratic values and political stability at the local level. It provides a forum for local debate about local priorities, and can be a proving ground for future political leaders.

2.2.3 Arguments against fiscal decentralization

While the international political movement towards fiscal decentralization is strong, there have been some cautionary notes that need to be considered (Hommes, 1996; Tanzi, 1995). Tanzi summarizes this critique by raising a number of situations or conditions, especially in developing countries, where fiscal decentralization may lead to less than an optimal result:

a) Tax payers may have insufficient information or no political power to pressure local policy makers to make resource-efficient decisions.
b) Local politicians may be more corrupt than national politicians or at least find themselves in more corrupting situations.
c) The quality of national bureaucracies is likely to be better than local bureaucracies.
d) Technological change and increased mobility may reduce the number of services that are truly “local” in nature.
e) Local governments often lack good public expenditure management systems to assist them in their tax and budget choices.
f) Fiscal decentralization may exacerbate a central government’s ability to deal with structural fiscal imbalances.

Such arguments are difficult to counter because most people would tend to agree that at least some of these problems exist in a significant number of developing countries. But a counter argument could be that these conditions may not exist in all developing countries and the elaboration of these problems relates to mainly short-term macroeconomic issues. Even if these concerns are real, it is important to consider whether they are eventually offset by potential microeconomic gains that justify decentralization in the fiscal federalism model.

There have always been questions to whether decentralisation in Ghana entails democratic decentralisation, that is, whether it involves the transfer of power and resources to representative actors that are democratically elected and relatively independent of central government.

As stated above, the constitutional framework, though not wholly unambiguous, was inclined towards a democratic form of decentralisation, rather than mere deconcentration. But to what extent was this translated into practice? Findings are of a number of constraints and limitations on democratic local governance in Ghana. These are grouped and discussed in four clusters, issues of local government autonomy, of fiscal independence, of district-level capacity, and of inclusion and participation. Despite adherence to the rhetoric of decentralisation, the political commitment of national governments to the devolution of power to local authorities was often limited, disinclined to lose power themselves. In Ghana, it was evident that the autonomy of local government was compromised and undermined in a number of ways, indicating that central government control remains very real.

Nkrumah (2000) argued here that its influence was maintained through a number of processes: presidential appointments, non-partisan elections, administrative control and fiscal control (Nkrumah, 2000). A particularly significant means of restricting local government autonomy was through central government control of the purse strings. To what degree was local government fiscally independent? To what extent was local government financing commensurate with its responsibilities? How dependent are district authorities on central government for their financing? How adequate are their own revenue raising powers? In the opinion of Nkrumah (2000), District authorities or Assemblies have three sources of revenue: the District Assemblies‟ Common Fund (DACF), ceded revenue, and their own revenue-raising powers through local taxation. The DACF was the main source, providing a constitutionally guaranteed minimum share of government revenue, and thus some financial independence.

Yet evidence of its workings was somewhat mixed. On the one hand, annual monies distributed by the DACF have increased quite significantly from 38.5 billion cedis in 1994 to 165 billion cedis in 1999 in actual amounts, that was without taking inflation into account (Nkrumah 2000: 63). On the other hand, it was disputed whether district authorities have received the full five per cent, with annual allocations based on projections of annual revenue, and invariably underestimated. A report for USAID states that DACF disbursements have averaged about 4.3 per cent of actual annual revenue, though no source was cited (USAID 2003: 15).

A further argument was that the five per cent minimum of national revenue was insufficient, given the broad range of responsibilities devolved to district authorities. A second source of finance was "ceded revenue‟. This was revenue from a number of lesser tax fields that central government has ceded to the DAs. Ceded revenue was still being collected in the form of Entertainment Duty, Casino Revenue, Betting Tax, Advertisement Tax and others (Ayee 2000: 32) by the Internal Revenue Service (IRS), but then transferred to DAs via the Ministry of Local Government and Rural Development. Again, there was mixed evidence of its workings.

Nkrumah (2000: 62) suggests that ceded revenue has contributed quite substantial sums to local governments, yet Ayee (2000: 32) cites evidence from his three case-study districts that none had actually received such disbursements from central government. Local authorities are not completely dependent on central government and do themselves have some revenue-raising powers. Such local taxation was limited, however, with Nkrumah (2000: 61) commenting that the "lucrative tax fields" (for example, income tax, sales tax, import and export duties) all belong to the centre, while local government have access only to "low yielding taxes such as basic rates and market tolls". Given the extensive responsibilities decentralised to district authorities, outlined above, it was generally recognised that their financial position is weak.

Local government has little fiscal independence, remaining overwhelmingly dependent on central government for its financial resources, with limited revenue raising ability. Oyugi (2000: 12-3) suggests that the dependence of local authorities on central government funding leads to a loss of operational autonomy, with local initiatives undermined. The establishment of the DACF was certainly an advance in this respect, providing a constitutionally guaranteed minimum, though the figure of five per cent would seem inadequate. Yet we are also reminded that central government directives determine 75 percent of expenditure. Greater autonomy still would stem from the ceding of greater revenue raising powers, but the likelihood of such fiscal reforms was slim.

Overall, it appears that central government has been more willing to share its responsibilities with local government than to share its revenue. The consequence of a fiscal crisis for local government, perhaps generated by central government, would be an inability to deliver public services in line with new responsibilities, in turn undermining the DA's legitimacy in the eyes of the local electorate. Any notion of popular control is undermined by the truism that "he who pays the piper, calls the tune", with DAs responding less to local taxpayers and more to the requirements of central government. District Assemblies still largely depends on Government inflows and other interventions from Donors for their developments.

2.2.4 Fiscal Decentralization in Developing Countries

The reform of economic systems in developing countries during the 1980s focused largely on increasing the role of the market and improving the environment in which it operates. For some years, there was a preoccupation with the private sector, such that the potential role of the public sector in promoting development received little attention. In recent years, there have been widespread attempts to both redefine the role of the public sector in developing countries and improve its performance. An increasingly important goal of these reforms is the decentralization of government functions (Paul Smoke 2001).

During the 1990s, fiscal decentralization and local government reform were among the most widespread trends in development (World Bank, 2000). In the 1980s, just prior to the emerging fiscal decentralization trend, local governments in Organization for Economic Co-operation and Development (OECD) countries accounted for, on average, 11 per cent of total public employment, and in some countries as much as 25 per cent. In contrast, local governments in developing countries accounted for an average of 4.5 per cent of public employment, ranging from 2.5 per cent in Africa to 8 per cent in Asia. Public expenditure data from the late 1980s and early 1990s indicate that the local government share of total government spending averaged 32 per cent in the industrialized countries versus 15 per cent in the developing world (Bahl and Linn, 1992).

In evaluating the suitability of fiscal decentralization, it is important to consider the historical basis for fiscal centralization and the factors that have been undermining it (Smoke 2001). Traditional systems in some parts of the world, particularly in Asia, have been highly centralized for centuries. Local governments were introduced in many developing countries through colonization and development assistance, often taking a form that neither met their intended purpose nor gained acceptance from the local people. Post-independence leaders were left with an institutional framework that was not consistent with their culture and needs, commonly used local governments for administrative and control purposes rather than to promote self-determination, democratization and economic development. Early development economists also discouraged the development of local government by advising officials of developing countries that they could maximize growth by centralizing control over the economy. Development strategies were based on central planning, large-scale technology transfer, industrialization and spatial centralization to capture economies of scale and promote growth (Mills, 2000).

Thus, development responsibilities were concentrated at the centre, and local authorities were largely neglected. In many developing countries, a general lack of managerial and technical expertise has precluded-or been used as an excuse to avoid-the formation of local government institutions and an effective working relationship between the central and local governments (World Bank, 2000). Given the limited pool of human resources and the scarcity of training and educational facilities, some central governments feared competition for qualified staff if decentralized governments were strengthened. The most important reason local governments have been neglected in developing countries is that strong central governments often oppose decentralization (Rondinelli, 1990). Some reasons for this reluctance are legitimate, such as the need for nation building in ethnically fragmented societies and central macroeconomic control in fragile economies. Equally important, however, is the reality that the governing elite, who may be dominated by particular ethnic groups, fear the loss of power and wealth inherent in meaningful decentralization (Paul Smoke, 2001). In addition, central ministries and/ or political parties that control substantial resources rarely want to share them with autonomous local governments.

2.2.5 Trends of Fiscal Decentralization

Although many developing countries are likely to remain fairly centralized in the near term, a few emerging realities have collectively generated a growing interest in developing or reviving local government (World Bank, 2000). First, economic planning by central governments has not been successful in promoting adequate development. Although there have been periods of strong economic performance in the developing world during the past few decades, particularly in Asia, many countries have faced a variety of economic problems that central governments have been unable to cope with.

Second, changing international economic conditions and structural adjustment program designed to improve public sector performance have created serious fiscal difficulties for developing countries. Growing service demands and underperforming economies resulted in large budget deficits, which were financed primarily by external borrowing. Over time, interest payments claimed an increasing share of public resources, and a vicious cycle of borrowing and overspending ensued. In response, central governments are trying to reduce their role in managing development and to rely more on local governments, which are often underutilized and may have considerable untapped revenue potential.

Third, changing political climates also encourage the development of local governments in developing countries. As people become more educated, better informed through improved communications and more aware of the problems of central bureaucracies, they desire to bring the control of government functions closer to themselves. In numerous developing countries, there has been movement toward greater democracy as military regimes and dictatorships are forced to relinquish power and institute political reforms (Manor, 1998). This sets an example for other countries and emboldens people to push for further changes, including efforts to decentralize.

2.2.6 The Elements of a Good Fiscal Decentralization Program in Developing Countries

According to Paul Smoke (Smoke, 2001) key elements that should be included in a good fiscal decentralization program are: an adequate enabling environment; assignment of an appropriate set of functions to local governments; assignment of an appropriate set of local own-source revenues to local governments; the establishment of an adequate intergovernmental fiscal transfer system; and the establishment of adequate access of local governments to development capital. Now let us see in a little detail two of the elements which are more important for the research at hand: an adequate enabling environment and assignment of an adequate set of local own-source of revenues.

An enabling environment for fiscal decentralization can begin with constitutional or legal mandates for some minimum level of autonomy, rights and responsibilities for local governments. This provides a foundation on which to build decentralization, but it does not by any means guarantee successful fiscal decentralization. There are many countries with constitutional clauses and laws on local government that have not managed to decentralize successfully. A good example is Indonesia, which became more fiscally centralized after a major decentralization law was passed in 1974 (Smoke and Lewis, 1996).

On the other hand Ethiopia and Uganda, two often-cited cases of recent good performance (Bahl 1997 and World Bank, 2000). First, in both countries, emerging political conditions have led to a strong national will to decentralize, second, both countries have recently developed unusually robust and clearly defined constitutional and legal provisions to support decentralization and the strengthening of decentralized levels of government, third they established institution to oversee and co-ordinate decentralization and local government reform and fourth both Ethiopia and Uganda recognized that effective local governments must have adequate resources to meet their responsibilities under decentralization.

Central governments generally attempt to assign local government's revenue bases that are relatively immobile and should therefore not lead to serious spatial efficiency effects, which do not compete seriously with central tax bases and so on. Paul Smoke, (2001) identified four particularly problematic concerns on the revenue side. First, assigned revenues are almost never adequate to meet local expenditure requirements. This means that central government transfer programs are inevitably required. Second, local governments often use too many unproductive revenue sources that barely cover the costs of collecting them. Third, the same lack of attention and capacity to implementation also plagues the revenue side. Fourth, individual local revenue sources suffer from some serious design problems, such as static bases, overly complex structures and ineffective collection mechanisms.

2.2.7 Fiscal Decentralization in Ghana

Local governments were introduced in Ghana as a result of colonization and development assistance requirements. The earliest attempts at local administration during the colonial era were with the native authorities, which centred on a chief or some unit of local royalty, which was not well defined. These native authorities were not democratically

elected but handpicked to represent the interests of the British Colonial Government as well as to administer law and order
(Inanga and Osei-Wusu, 2004).

According to Inanga and Osei-Wusu (2004) subsequent steps towards decentralization were purposely for administrative and control purposes. These, among others include the Municipal Ordinance of 1859, which led to the creation of municipalities in the coastal towns of the Gold Coast, as Ghana was then known. Over the years, various attempts have been made to establish decentralization in Ghana. After independence the Local Government Act, Act 54 of 1961 was enacted. The features of these efforts include a central government body, which dealt with national issues and the local authorities as central government agencies. Decision making at the local level, however, took much time because most issues had to be referred to the ministerial levels. The effects are the stifling of local autonomy, democratization, economic development and self-determination (Inanga and Osei-Wusu 2004). Inanga and Osei-Wusu (2004) observed that central government fund increases significantly infrastructural development at the MMDAs levels.Some challenges to the earlier efforts in decentralizing the machinery of government from the centre to the local levels included the lack of personnel with professional skill and expertise as well as financial resources to meet obligations.

These factors, among others such as the increased demand for infrastructure and services, necessitated the institution of the current decentralization policy. The economic policies adopted in Ghana during the 1980s focused mainly on an aggressive program of stabilization and economic liberalization. The main features include, first, the Economic Recovery Program (ERP) and the Structural Adjustment Program (SAP). These programs emphasized a private sector-led growth with limited role of governments. The other issue was the creation of a market friendly environment. In the decade that followed, annual GDP growth averaged 5 per cent and physical and social infrastructure was rehabilitated. However, the role of the public sector in development seems to have been ignored as at 1988.

There were thus increased economic and political pressures to decentralize the functions of government (Inanga and Osei-Wusu 2004). There are five main implementation aspects in Ghana's decentralization policy. These are political, administrative, planning and programme implementation, management of public/private partnerships and fiscal decentralization. Most of these policy aspects have experienced tremendous strides. This includes the formation of local government institutions that have been empowered to exercise deliberative, legislative and executive functions at the sub-national level of governments. In Ghana, there are three levels of government, namely, the national, regional and the metropolitan/municipal or district levels. The sub-national government structure comprises ten Regional Coordinating Councils, 216 Metropolitan/ Municipal/District Assemblies (MMDAs) and Town/Area Councils and Unit Committees (Inanga and Osei-Wusu 2004). Main features of the current decentralization program, which has implications for the management of finances, include:

a) the composition of the district assemblies: appointed and elected members;

b) re-demarcation of districts to create more manageable and viable local government units and district assemblies as non-partisan local government bodies;

c) empowerment of district assemblies as the legislative, administrative, development

d) planning, service delivery, budgeting, and rating authorities; to promote participatory decision-making and implementation;

e) establishment of a National Development Planning Commission to co-ordinate decentralized development planning;

f) the non-partisanship of the district assembly to promote consensus building though functioning in a politicized environment;

g) the capacity for bottom-up planning and the effective resourcing of such plans;

h) transfer of responsibility for 86 statutory functions of state to local government bodies with jurisdiction over demarcated geographical areas;

i) restructuring of resource allocation and establishment of resource sharing between central and local governments;

j) Redefinition of the roles, functions and structures of government institutions at the national (policy formulation), regional (co-ordination) and local levels (implementation).

2.2.8 Historical development of local government in Ghana

The earliest attempts at local administration during the colonial era were with the 355 native authorities, which centered on a chief or some unit of local royalty which was not well defined. The native authorities were not democratic but were mere representatives (as they were hand-picked). Their main interests were to help the British colonial government with limited involvement in local administration – to administer law and order. The Municipal Ordinance of 1859 established municipalities in the coastal towns of the Gold Coast. In 1943, a new Ordinance established elected town councils for Accra, Kumasi, Sekondi-Takoradi and Cape Coast.

In 1953, the Municipal Councils Ordinance was passed. After independence, this was followed by the Local Government Act 54 of 1961. In all of these pieces of legislation, the distinction between central and local government institutions was maintained. In terms of this distinction, there have always been two different machineries for the administration of Ghana: one based in the capital with branches at the local (district) level; and another separate and district level, based in well-defined localities and referred to as local government. The central government bodies at the local level dealt with national matters. They also attracted the better qualified personnel in terms of management skills and professional expertise. These central government agencies had less clearly defined powers in terms of local responsibilities, but had a much better presence by reason of their de facto position as bodies of central government. Decision-making took an unduly long time because these bodies had to refer decisions on most matters of any significance to a ministry in Accra, which – bogged down with matters of "national significance" – was unable to react quickly enough to problems referred from the local level, thus causing the tempo of activity to be slow.

The local government bodies were vested with authority specifically for local matters, and had grown up alongside the central government agencies that operated at the local level. They were required to provide municipal services and amenities in their localities without regard to whether or not they had the resources to deliver. These bodies lacked personnel with the requisite skills and professional expertise. Unable to raise funds to meet their obligations and attract able and competent officers, the local government bodies only succeeded in creating for themselves an unpleasant image, in most cases, of ineptitude and incompetence.

2.2.9 Problems with the post-independence local government system

Certain problems had developed as a result of this dual hierarchy model of administration: These problems includes but not limited to;

a) Central government agencies encroached on the rights and responsibilities of the 356 native authorities. They weaken local government bodies because areas and limits of responsibility between the two had not been clearly defined. Resources were duplicated between local government agencies and central government bodies. These had not been fully utilized and had therefore been partially wasted.

b) The various bodies had gone different ways without sufficient consultation with each other, even in areas where their ill-defined responsibilities pointed in the same direction. Limited resources available to each had been dissipated without the required impact expected by reason by the size of the input in personnel and material resources.

c) The clear and sharp distinction between central and local government agencies had only served to create a poor and distorted image of local government as being the corrupt.

d) Inefficient and worthless relation of central government, without inculcating in the citizenry the civic relationship with central government which would enable the citizens to see themselves as part of the whole system of government and administration. In effect, the ordinary citizen had at once been alienated from local government and administration as well as from central government institutions and had grown to look at the entire system as a foreign imposition to be cheated and despoiled without any but the slightest twinges of compunction.

e) The large number, and therefore the small sizes of the local councils made it difficult, if not impossible, for the local government bodies to raise enough revenue to finance municipal service delivery. Commissions/committees of enquiry against this background of duplication and confusion, of ineffectiveness and slow development at the local level, together with disorientation in the popular mind and the resulting dichotomy in the administrative system, an attempt was made in 1971 to introduce a new structure of local administration. Long before the attainment of independence in 1957 and thereafter, commissions and committees of enquiry were appointed at various times to enquire into the administration of the country. The reports of these bodies made conclusive recommendations for the devolution of central administrative authority to the local levels.

The most significant of these commissions and committees of enquiry were:

a) The Watson Committee (1949)
b) Sir Coussey Committee (1949)
c) Sir Sydney Philipson (1951)
d) The Frederick Bourne (1955)

e) The Greenwood Commission (1957)

f) The Regional Constitutional Commission (1957)

g) The Akuffo-Addo Commission (1966) 357

h) The Mills-Odoi Commission (1967)

i) The Constituent Assembly (1969)

Despite the far reaching nature of the recommendations, most of which were accepted, attempts at decentralisation could not materialise until 1974. Though passed in 1971, the Local Administration Act 359 of 1971 was not implemented until 1974 due to the change of government in 1972. Significant changes were, however, made to the 1971 Act before it was commenced by the Local Administration (Amendment) Decree 1974, NRCD 258.

The 1974 local government structure, described as the single hierarchy model, sought to abolish the distinction between local and central government at the local level and to create one common monolithic structure (district councils –DCs) to which was assigned the responsibility of the totality of government at the local level. The legal framework was provided in terms of a decree whereby the following sectors were decentralised to the local (district) level: agriculture, administration, education, survey and town planning, social welfare and community development, public health, engineering, fire service and sports. Some of the hitherto smaller local council areas were merged to create larger districts, resulting in the creation of 65 DC areas with all-appointed DCs.

During the 1970s the colonial administration ruled indirectly through the native political institution (i.e. the chiefs), by constituting the chief and elders in a given district as the local authority, with powers "to establish treasuries, appoint staff and perform local government functions" (Nkrumah 2000: 55). Nkrumah (2000) also makes the interesting observation that, under indirect rule, downward accountability of chiefs to the people were replaced by upward accountability to the colonial authorities: "the democratic ideals underlying chieftaincy in Ghana, which made chiefs accountable to their peoples, began to suffer as the recognition by the central government were more crucial to the chief than the support of his people" Thus, there are some echoes here, as well as obvious differences, with relations in the contemporary period between central and local government in Ghana, dispelling any lingering notions of a necessary association between decentralisation and democracy, and confirming how decentralisation can be used as a political mechanism by ruling political elites to reinforce their control.

In the post-independence period from 1957 onwards, local government was generally weak and subject to the centralisation of power that was typical of the post-colonial state in Africa (Tordoff, 1997). Attempts at decentralisation reforms were introduced at different times, for instance in 1974 under the military regime of Lt. Col. Acheampong, generally characterised by deconcentration, and aimed at strengthening central government control at the local level (Nkrumah 2000: 58). A historical aspect was the decentralisation reforms introduced in the early period of Rawlings' populist military rule (1981-92). In 1983, Rawlings' PNDC Government announced a policy of administrative decentralisation of central government ministries, alongside the creation of People's Defence Committees (PDCs) in each town and village. The PDCs, made up of local PNDC activists as self-identified defenders of the "revolution", effectively took over local government responsibilities, though often limited to mobilising the implementation of local self-help projects (Nkrumah 2000:58), while the deconcentrated ministries played a more significant role. Ayee (2000: 49) notes that despite the PNDC's populist rhetoric, its interest in decentralisation reflected that of previous regimes that was, an interest in the administrative decentralisation of central government and not the devolution of political authority to the local level. Additionally, Ayee (2000: 49) perceives a key feature of local governance in the pre-1988 period as a dual hierarchical structure in which central and local government institutions "operated in parallel", but with encroachment at times by better-resourced central government on the roles and responsibilities of under-resourced local government.

2.3 Factors that militated against the local government system

Though well-intentioned, the system never worked due to a number of factors:

a) No effective, accountable and legitimate (in terms of electoral legitimacy) political authority was established at the district level to oversee the structure. Its implementation was left to bureaucrats who were the same people who had looked to Accra all along.

b) In deciding to start decentralisation from the regional level, the regions were made very strong and only became additional bureaucratic road blocks in the attempt to decentralise the local (district) level. Indeed, under the 1974 structure, decentralisation was to begin with the regions; in practice, it ended with the regions.

c) The functions that were transferred to the DCs (under NRCD 258) were not accompanied by a simultaneous transfer of competence and means which are a sine qua non to effective decentralisation.

d) No conscious effort was made to ensure that the departments – which were to become departments of the DCs under the Decree (NRCD 258) – actually operated as such.

e) Rather curiously during the period, moves were made in Accra to even further centralise functions which had hitherto been exercised with moderate success 358 by DCs, examples being the Omnibus Services Authority Decree, 1972, as amended by the Omnibus Services Authority (Amendment) Decree, 1973, and the Ghana Education Services (Amendment) Decree, 1976, SMCD 63.

f) The attempt to create a monolithic service at local level with central government taking responsibility for the payment of all remuneration resulted in a rat race for recruitment by the DCs. Overnight, unemployed and unemployable relatives and friends of councillors found themselves on the payroll of DCs; the bureaucracy and other staff of the DCs became overbloated and financial discipline broke down.

g) Very few efforts were made to address the infrastructural staffing and other logistic needs of the DCs.

h) Some of the districts were so large that administration could not reach many areas of the country.

i) A Financial Administration Decree was enacted which centralised all fiscal controls in Accra. The above background provided the raison d'etre for the structure, form and content of the local government reforms in Ghana in 1988, with decentralisation as a major component.

2.4 Decentralisation Policy

The following are some of the functions of the decentralisation policy;

a) Devolves central administrative authority to the district level

b) Fuses governmental agencies in any given region, district or locality into one administrative unit through the process of institutional integration, manpower absorption, composite budgeting and provision of funds for the decentralised services

c) Divests the centre of implementation responsibilities and transfers those responsibilities to the districts

d) Assigns functions and responsibilities to the various levels of government as follows: – central government ministries/departments undertake policy planning, monitoring and evaluation of policies and programmes –regions, through the regional planning coordinating councils and their respective regional planning coordinating units will play the important role of coordination, not in a regulatory manner, but to ensure consistency, compatibility and coherence of district level development –facilitate joint ventures among districts and monitor the activities of District Assemblies (DAs) within regions 359 –DAs will be primarily responsible for the implementation of development policies and programmes coordinated by the National Development Planning Commission (NDPC).

e) Promotes popular grass root participation in the administration of various areas concerned from the stand points of planning, implementation, monitoring and delivery of those services which go to improve the living conditions of the people and the orderly, fair and balanced development of the whole country. Decentralisation is thus envisioned to transfer functions, powers, means and competence to the DAs from the central government ministries and departments. This policy forms the basis of the new local government system which is premised on the assumption that:

f) Development is that which responds to people's problems and represents their goals, objectives and priorities

g) Development is a shared responsibility between central government, local governments, parastatals, non-governmental organisations (NGOs) and the people – the ultimate beneficiaries of development – all of whom must be closely linked

h) Virile local government institutions are necessary to provide focal points or nuclei of local energies, enthusiasm, initiative and organisation to demonstrate new skills and leadership.

DAs are the human institutions created to give expression to these assumptions. They are in effect aimed at creating a forum at the district (local) level where a team of development agents, the representatives of the people and other agencies will agree on the development problems of the district or area, their underlying causative factors and decide on the combined actions necessary to deal with them. These were given legal form by the new local government system and legal backing by the Local Government Law, 1988, PNDCL 207, now superseded by chapter 20 of the 1992 Constitution and replaced by the Local Government Act, 1993, Act 462.

Structure of the New Local Government System The new local government system is made up of a regional coordinating council (RCC) and a four-tier metropolitan and three-tier municipal/DAs structure.

2.4.1 Composition of the local government structure

The RCC consists of the regional minister as chairman and his deputies, the presiding member of each DA and the district chief executive of each district in the region, two chiefs from the regional house of chiefs and the decentralised ministries without voting rights. A DA consists of the district chief executive, two-thirds of the members directly elected by universal adult suffrage, the members of parliament (MPs) representing constituencies within the district, and not less than 30% of the members appointed by the president in consultation with chiefs and interest groups in the district. The district chief executive is nominated by the president, approved by two-thirds of the members of the DA present and voting, and appointed by the president. The assembly has a presiding member who is elected from among its members by two-thirds of all the members of the assembly. The sub-district structures include:

a) The sub-metropolitan DCs which consist of not less than 25 and not more than 30 members, made up of all elected members of the assembly in that sub-metropolitan district and such other persons resident in the sub-metropolitan district appointed by the president.
b) The urban council consists of not less than 25 and not more than 30 members made up of not more than eight persons elected from among the members of the relevant DA, not more than 12 representatives from the unit committees in the area of authority of the urban council and not more than 10 persons ordinarily resident in the urban area.
c) The zonal council consists of not less than 15 and not more than 20 members made up of not more than five persons elected from among the members of the relevant

municipal assembly, not more than 10 representatives from the unit committees and not more than five persons ordinarily resident in the zone.

d) The town/area councils consist of not less than 15 and not more than 20 members made up of not more than five persons elected from among the members of the relevant assembly, not more than 10 representatives from the unit committees and not more than five persons ordinarily resident in the town or area.

e) The unit committee consists of not more than 15 persons made up of 10 elected persons ordinarily resident in the unit and not more than five other persons resident in the unit and nominated by the district chief executive, acting on behalf of the president.

f) Elections to all local government bodies are on a non-partisan basis; the elections are state sponsored and conducted by the electoral commission.

g) Regional coordinating councils (RCCs) RCCs are established for each of the 10 regions of Ghana. An RCC is an administrative and coordinating rather than a political and policy-making body. Its functions are to:

   (i) Monitor, coordinate and evaluate the performance of the DAs in the region

   (ii) Monitor the use of all monies allocated to the DAs by any agency of the central government

   (iii) Review and coordinate public services generally in the region

   (iv) Perform such other functions as may be assigned to it by or under any enactment.

h) Metropolitan/municipal/district assemblies DAs in Ghana are either metropolitan (population over 250 000), municipal (one town assemblies with populations over 95

000) or district (population 75 000 and over.) There are three metropolitan assemblies, four municipal assemblies and 103 DAs. A metropolitan/municipal/DA is:

(i) Created as the pivot of administrative and developmental decision-making in the district and is the basic unit of government administration

(ii) Assigned with deliberative, legislative as well as executive functions

(iii) Established as a monolithic structure to which is assigned the responsibility of the totality of government to bring about integration of political, administrative and development support needed to achieve a more equitable allocation of power, wealth and geographically dispersed development in Ghana

(iv) Constituted as the planning authority for the district.

2.4.2 Functions of the assemblies

These are deliberative, legislative and executive. Section 10(3) of Act 462 lists them as follows;

a) Be responsible for the overall development of the district and shall ensure the preparation and submission through the regional coordinating council for approval of the development plan to the commission and budget to minister of finance for the district

b) Formulate and execute plans, programmes and strategies for the effective mobilisation of the resources necessary for the overall development of the district.

c) Promote and support productive activity and social development in the district and remove any obstacles to initiative and development

d) Initiate programmes for the development of basic infrastructure and provide municipal works and services in the district

e) Be responsible for the development, improvement and management of human settlements and the environment in the district

f) In cooperation with appropriate national and local security agencies, be responsible for the maintenance of security and public safety in the district

g) Ensure ready access to the courts and public tribunals in the district for the promotion of justice.

h) Initiate, sponsor or carry out such studies as may be necessary for the discharge of any of the functions conferred by this Law or any other enactment

i) Perform such other functions as may be provided under any other enactment.

2.4.3 Legal Framework

Ghana's current programme of decentralisation was initiated prior to the national democratic transition in the early 1990s. In 1988, the PNDC government introduced a major piece of legislative reform, the Local Government Law (PNDC Law 207). This created 110 designated districts within Ghana's ten regions, with non-partisan District Assembly (DA) elections held initially in 1988/89 and subsequently every four years. In addition to the two-thirds of DA members elected on an individual, non-party basis, one-third was appointed by central government, along with a chief executive for each district (Pinkney 1997: 79). The stated aim of the 1988 Local Government Law was "to promote popular participation and ownership of the machinery of government by devolving power, competence and resource/means to the district level" (Map Consult 2002: 35). Interestingly, the language of 'participation' and 'ownership' anticipated the 'donor speak' of the 1990s, though it also had some resonance with the revolutionary rhetoric of popular participation of the earlier PNDC period. Oquaye (2001: 36) suggests that this decentralisation exercise were "largely introduced to satisfy donor "demands", but Ayee imputes different, self-serving motives.

According to Aryee (2000), the real reason for the PNDC"s decentralisation policy was an attempt to increase their legitimacy and simultaneously to rid themselves of political problems (Ayee 1994: 200-2, cited in Pinkney 1997: 80).The status of the District Assembly (DA) was clearly stated in the 1992 Constitution as "the highest political authority in the district, [with] deliberative, legislative and executive powers" (Article 24 i (3). The Districts Assemblies are actually divided into three types of Metropolitan, Municipal and District Assemblies, depending on the size of the district. Those in the major cities and towns were called "Metropolitan Assemblies" and "Municipal" and DAs range in size from 54 to 130 members (USAID 2003: 9), with both elected (70%) and appointed (30%) members. Local elections are held every four years at approximately the mid-term point in the central government administration.

The Members of Parliament (MPs) are also entitled to participate in the Assembly, though in a non-voting capacity, while the District Chief Executive is an ex-officio member. District Assembly members elect a Presiding Member from amongst their number, responsible for the three to four general assembly's held each year, during which the District Assembly acts as a district legislature. In between, the on-going activities of the District Assembly take place in committee structures, of which the Executive

Committee (EXECO) was the most significant, responsible for general policy and overall development planning.

The EXECO was composed of one-third of the DA members and performs the main executive and administrative functions. Under it are five statutory sub-committees (development planning; social services; works / technical infrastructure; justice and security; and finance and administration), with the EXECO able to create other ad hoc sub-committees as the need arises. All sub-committees report to the Assembly through the EXECO. The DCE, appointed by the President, is the chair of the EXECO, while the Presiding Member and district MPs are barred from its membership. Although this situation may be prompted by a notion of the separation of powers at local level, the outcome was that an appointed representative of central government chairs the most powerful body at district level, while the Assembly's own elected leader is excluded.

The DAs were to assume control over the functions of central government ministries and agencies, and the constitutional provision for the establishment of a local government service was recalled (Article 240(2)(d). To date, however, the Local Government Civil Service Bill has not been enacted by Parliament (USAID 2003: 9), and the officials in the previously deconcentrated central government departments remain as members of the national civil service (USAID 2003: 5). Clearly the failure to establish a local government service has adverse implications for local government autonomy and its ability to provide those services for which it is responsible. The powers and functions of District Assemblies have been addressed in detail in the next main section.

One unusual feature of the DA system was a grievance and complaints procedure by which the local electorate can hold individual DA members and officers to account. Members of the district electorate can make a complaint about the conduct of a DA member or official, which was considered by a Public Relations and Complaints Committee, chaired by the Presiding Member. If upheld, such complaints can lead to a district referendum, organised by the Electoral Commission, to decide whether the DA member should be recalled (i.e. stripped of his/her position). In addition, the Commission on Human Rights and Administrative Justice (CHRAJ) acts as an Ombudsman in relation to state personnel at both national and local levels.

2.4.4 Powers and Functions of District Assemblies

The powers and functions of DAs, as laid out in the 1992 Constitution and the Local Government Act (Act 462) of 1993, are extensive. In many instances, however, such powers and functions are shared with central government ministries and agencies, not dissimilar to the dual structure in which central and local government institutions operated in parallel, characteristic of the pre-1988 period (Ayee 2000: 49). A key question concerns whether the hierarchical relationship continues to exist or whether DAs now exert autonomous discretionary powers" over development activities in their jurisdiction. DAs are accorded wide-ranging powers by the 1992 Constitution and the Local Government Act of 1993 within their designated geographical area. They are the:

a) Highest political and administrative authorities;

b) Planning authorities;

c) Development authorities;

d) Budgeting authorities;

e) Rating authorities. (Ayee 2000: 466)

The 1992 Constitution and the Local Government Act of 1993 delineate six broad functions of the DA, as follows:

a) To give political and administrative guidance, give direction and to supervise all other administrative authorities in the District;
b) To exercise deliberative, legislative and executive functions;
c) To be responsible for overall development of the District and ensure the preparation of Development plans of the District and the budget of the District related to the approved plans;
d) Effective mobilisation of the resources necessary for overall development of the District.
e) Promotion of productive activity and social development.
f) To co-ordinate, integrate and harmonize the execution of programmes and projects under approved development plans for the district and other development programmes promoted or carried out by Ministries, Departments, Public Corporations and other Statutory Bodies and Non-Governmental Organisations in the District (Ayee 2000: 466-7).

There seems a clear intent that the DA acts as the principal authority, with overall responsibility for development activities, inclusive of co-ordinating and integrating those of other development actors. These broad functions are then given detail and sub-divided into 86 particular functions, specified in the Legal Instruments that created the DAs, and including such significant areas as “roads, forestry, agricultural extension, secondary education, health service delivery, fire prevention, town and country planning" (Nkrumah 2000: 60). Ayee, (2000) categorizes these specific functions into deconcentrated, delegated and devolved public services, thus indicating the involvement of other actors, mainly central government departments and agencies, and their differential powers.

Deconcentrated public services entail national government services, (for example, fire service, police, customs and excise, immigration, internal revenue service), having a branch or office in all 216 districts. Such services are not directly under the DA, though there was clearly close co-operation between national and district authorities in these sectors. DAs do provide some services in this category, however, as agencies of national state institutions, for instance, the maintenance of trunk roads as agents of the National Highways Agency, and the maintenance of all public buildings constructed and owned by central government (Ayee, 2000: 467). Clarification was required on who bears the financial cost of providing such services, central or local government, as there appears to be some shifting of responsibilities here by central government.

Delegated public services are categorised by Ayee (2000: 467-8) as those areas where DAs participate in the provision of certain services, with tasks delegated to them by the key responsible institution, usually a central government ministry or agency. Essentially DAs appear to be executing central government policy as a lower level political authority, though without significant decision-making or discretionary powers in these areas. Examples include: the provision of public health in consultation with the Ministry of Health; water supply in conjunction with the Ghana Water Company; public lighting in conjunction with the Electricity Corporation, and so forth. Some delegated tasks are carried out by sub-district structures, for example, the registration of births and deaths by Unit Committees (Ayee, 2000: 468).

Devolved public services entail full power and responsibility residing in the hands of the DA, having legislative power to make bye-laws (subject to approval by the Minister for Local Government), revenue-raising powers, and decision-making powers. Examples of such devolved services are: district development planning; construction of public facilities such as roads, parks and cemeteries; provision of relief services at times of natural disaster (Ayee, 2000: 469). It was only in this category of devolved public services that DAs exert 'autonomous discretionary powers' .It was apparent that DAs have at least partial responsibility for a large number (86) of important and wide-ranging functions and public services. Yet they only have full control over the minority of 'devolved public services', acting alongside deconcentrated state institutions or as executing agents of central government policies in the other two categories. Therefore, on the one hand, the exercise of 'autonomous discretionary power' was limited to devolved public services, estimated as representing one quarter of District Assembly Common Fund (DACF) disbursements (USAID 2003: 16).

On the other hand, an extensive range of services has been transferred by central government from its own departments to local government, suggesting a degree of 'passing the buck' and ridding themselves of onerous tasks, while simultaneously overburdening DAs. Yet central government authority at district level has been largely retained. Given that the majority of DA activities involve deconcentrated or delegated services, it was central government, not the DA that remains the principal authority, despite expressed constitutional and legislative intent. Indeed, the notion of a 'dual hierarchical structure' as characterizing the pre-1988 period (Ayee 2000: 49), would seem to endure and retain a contemporary relevance. This raises issues of DA capacity. Most worryingly, the overburdening of DAs could have an adverse effect on their ability to deliver the limited range of services for which they do have sole responsibility and discretionary powers, undermining public confidence in district level government.

2.5 Empirical Review

2.5.1 Local Government Revenue

Local government revenue refers to funds collected and received by the MMDAs. The Accounting Manual for MMDAs (2011) defines revenue as the earnings of the Assembly within an accounting period. Revenue is recognised when cash or service associated with the transaction flow to the Assembly. For cash transactions, the revenue is recognised on receipt of payments. For other transactions, revenue is recognised when it is earned by law (i.e. non-tax revenues) or by contract (goods or services are supplied by the Assembly). The Local Government Act, 462 of 1993 provides that the District Assembly shall be the planning authority, responsible for the overall development of the district. All districts are therefore required to prepare District Medium Term Development Plans (DMTDP).

These plans were link to the Medium Term Expenditure Framework (MTEF) as a public sector budgeting system. The district budgets show the policy intent of the local government authority and how to finance it. It serves as a tool for allocating financial resources for the implementation of the district plan and as such link to the achievement of the objective of the plan. Local Government finance provisions are defined in Article 245 and 252 of the 1992 Constitution and Section 34, Part VII and Part VIII of Act 462, MMDAs service delivery responsibilities were financed from three main sources namely: internally generated funds, transfers from central government and donor support. The traditional theory of fiscal federalism prescribes a very limited tax base for subnational governments. The only 'good' local taxes are said to be those that:

a) Are easy to administer locally.

b) Are imposed solely on local residence.

c) Do not raise problems of 'harmonization' or 'competition' among subnational governments or between subnational and national government.

In most developing economies, the only major revenue source usually seen as passing these stringent tests was the property tax and perhaps a secondary role for user fees. This conclusion fits in well with the reluctance of most central governments to provide subnational government access to more lucrative sales or income taxes. Subnational governments almost everywhere are thus urged to make more use of property tax, and criticized when they do not so enthusiastically. Good subnational taxes should in principle satisfy two main criteria.

First, they should provide sufficient revenue for the richest subnational units to be essentially fiscally autonomous. Second, they should clearly impose fiscal responsibility on subnational governments. The simplest and probably best way to achieve this goal was by allowing those governments to establish their own tax rates with respect to at least some major taxes. Several factors in a city's political, administrative, cultural, social and economic history can affect the relationship of local government and the citizenry, and hence its ability to generate revenues and administer services.

These include the legal and policy framework, and socio-cultural traditions that indicate preferences or priorities and ability to pay. Another important factor that must be highlighted is administrative systems, capacity and credibility of local authorities. The local government framework enables revenue mobilisation locally to happen. The critical issue was that the legal and policy framework ensures and provides local government the authority to mobilize and manage their revenue, and realigns the political and institutional framework at local and national levels to support this. The basic financial pillars of the system of decentralization identified include the following (FOAT / DDF Training Guide, 2011):

a) Establishing a central – local grant systems – this recognizes that local authorities need additional financial resources to carry out their existing and expected future responsibilities.

b) Mobilizing local revenues – this involves effective mobilizing of existing sources of local revenues, from business licenses and service fees and rents to the local government as well as property tax.

c) Improving local financial management systems – this involves strengthening the ability of local governments to more effectively manage their revenues, expenditures and budget execution. In the long run, effective management capacity for local government has to be created, strengthened and maintained for sustainability purposes.

Politically, other processes may need to be determined before improvements in tax revenue can be made such as the clear definition of roles and responsibilities of relevant sub districts, district, regional and other local government structures and offices. For example, local government leadership has to be properly constituted or elected and fiscal and administrative relationships between the central, regional and local government need to be specified. Socio – cultural traditions in a municipality affect the sense of empowerment and inclusion of local peoples.

The sense of participation can also galvanize the citizenry to actively contribute with high compliance levels in local taxes and fees and, in some cases, partnerships and volunteerism to achieve local goals. The administrative capacity and credibility of local government to provide effective services, often determines whether local citizenry will support tax efforts. This includes the system and human capacity to develop and manage public resources, to work in a more open and transparent environment and to encourage and enforce compliance. A favourable policy environment, therefore, enables and supports local government ability to develop and implement a strategy for revenue generation through business licenses and property taxes. If this does not exist, then efforts must be directed to create and maintain such an environment that will support effective implementation and enforcement. These include a well-designed administrative system for revenue management, developing the tax base, valuation/classification, rating, assessment and billing, collection and enforcement.

2.5.2 Types of Local Government Revenue

The operations and functions of the assembly depend on the availability of revenue. Plans, sectoral activities and development activities in the district are financed from the revenue collected from different sources. The revenue was used among others to facilitate the execution of development projects, pay allowances and other incidental expenses for employees of the assembly, pay assembly members" sitting allowance, ex-gratia awards and others and facilitates the funding of operational and maintenance cost of MMDAs in the country (MMDA Manual, 2010). The main sources of District Assemblies revenue are:

a) Appropriation from Government
b) Retained Internally Generated Fund and
c) Grants and Donor Funding

2.5.3 District Assembly Non-Tax Revenue (NTR)

The Assembly generates NTR from many sources including revenues generated by rendering services and providing goods to the general public. NTRs are revenues other than tax revenue generated through the operation of law (for example, property rates, penalties and licences) and services or goods provided by the assembly (such as proceeds from sale of authorised items).

The Assembly was permitted by an Act of Parliament to retain and utilize a percentage of their NTR. The proportion of NTR retained by the Assembly was what was referred to as

Internally Generated Fund (IGF). Revenue collection from internal sources is important for a number of reasons. In the first place, IGFs reduce pressure on Central Government and reliance on donations. It also sustains service delivery and autonomy of Local Government and lastly, it was used for regulating business establishment in Assemblies.

The sources of local revenue differ from one local government to the other. However, the Local Government Act, 1993 (Act 462) requires every Assembly to maintain a detailed list of its internal revenue sources and in addition keep relevant information on total potential collectable revenues. The traditional sources of MMDAs revenue items as listed on Schedule Six of Act 462 are basic rates, special rates, property rates, fees and charges, license fees, trading services, rent and investment income.

The decentralization programme devolves revenue and expenditure responsibilities to the local authority. The districts thus adopt a number of techniques to support them in mobilizing as much revenue as possible. There are two main categories of revenue collected by the Assemblies. These are Grants or funds from the Central Government and revenue generated by the Assembly itself in the forms of fees and rates. The Head of the Assembly is charged with the responsibility of generating and collecting internal revenue for the Assembly's operations. All such revenues collected are deposited into the Assemblies designated Bank Accounts (Accounting Manual, 2011). Revenue collection in the Assemblies consists of appointment of commission rate collectors who collect rates on behalf of the Assembly and the Assembly's own staff. Before the revenue collectors start the collection for the assigned area, they are issued the following items: a ledger, a daily report book and identification card. In the discharge of their duties, the following procedures are observed for the collection of revenue: the appropriate serial numbers of rateable persons are checked, appropriate ledger sheet used, and after collection is done, the collector returns the ledger together with the daily report, collections and identification cared to the senior collector.

The senior collector then, check each of the amount collected to ledger to see whether the correct amount has been collected. He or she then reviews the daily reports sheet for details of not available ratepayers, defaulters, and other relevant matters that are indicated in the ledger. Finally, the revenue head carries out a final check of all ledger books and pass them to the appropriate progress sheet for subsequent forwarding to the finance officer and update of his register (MMDA Manual, 2010).

There are important considerations that the Assemblies factor in deciding on revenue sources in their area of operation. One, the adequacy of the revenue source should be considered. The identified revenue source should be capable of yielding substantial revenues. This was because small revenue sources are expensive in terms of expenditure on collection and effort (FOAT/DDF Training, 2010). Next was the elasticity of the revenue source. The identified revenue sources should be capable of yielding additional revenues to respond to the increasing demand for services from the community over time. Further, equity and administrative capacity of the source are considered. Taxes charged by the Assemblies should be based on fairness and the ability of each taxpayer to pay. Also, the cost, effort and time involved in administering a particular revenue source should not be more than the revenues collected. Other factors to consider in deciding on a revenue source are the political acceptability of the revenue source, the economic impact on the propensity of taxpayers to work, save, consume or invest and the tax base coverage.

2.5.4 Internally Generated Revenue (IGR)

These are revenues accruing to the local government from local initiatives of local government officials and backed up by the constitution. It refers to the money sourced by the local government within its area of operation or jurisdiction (Akindele, Olaopa, Obiyan. 2002). It varies from such money as taxes of different categories, levies and money secured through the grant of licenses of various kinds. The internally generated revenue as the name implies is the revenue that the local government generates internally within the area of its jurisdiction (Adebayo, and Rowland, 1974). The revenue collectible by a local government are varied and numerous and is guided by bye-laws that are applicable in each of the local government areas. Generally, these sources are classified under the following sub-heads:

Head 1001 – Taxes

Head 1002 – Rates

Head 1003 – Local licenses, fines and fees

Head 1004 - Earnings from commercial undertakings

Head 1005 – Rent on local government property

Head 1006 – Interest, payments and dividends

Head 1007 – Grants

Head 1008 - Miscellaneous

According to Ola and Tonwe (2003), IGF is the primary source of local government sustenance which contributes positively to infrastructural development of the local economy. A very important part of this democratic role is the opportunity it creates for political activity and social inter-action. Such a forum helps to inculcate the ideals of democracy like, election or selection of local government committees and boards, public debates, pressure and interest group activities, and community mobilization. Local governments must continue to buttress democracy through these ideas.

Internally generated revenues of the sub-national governments are basically the own-sourced revenues of District Assemblies'. Internally generated revenue as per the Sixth Schedule of the Local Government Act, 1993, Act 462 consists of funds collected exclusively by or for sub national governments. These revenues could be grouped broadly into tax and non-tax sources. Tax revenues are the compulsory payments and include taxes chargeable on the incomes of self-employed persons, businesses and property.

The non-taxable revenues are voluntary payments or contributions paid by specific beneficiaries of the districts' services. These include user fees/charges, licenses, permits and royalties. The Minister for Local Government and Rural Development is responsible for issuing guidelines for levying rates. Based on the guidelines, fee-fixing resolutions are passed by MMDAs upon which revenues are collected. According to a study by World Bank (2000) the following major problematic concerns were identified. These issues include the legislative provisions, implementation strategies and designs, funding relationships as well as issues about economic efficiency and accountability which determine the magnitude of revenues to be generated in the District Assemblies'. Although adequate legislation has been instituted to enable DAs to harness internally generated revenues, there are four serious design problems that districts face (Inanga and Osei-Wusu, 2004).

First, tax bases of local governments are static because of weak databases for determining revenue potentials. Areas within the districts where revenue could be generated are not well identified and therefore the revenue collection level is not optimal. Second, there are complex structures in terms of planning for revenue collection in some of the districts. Third, mechanisms for collecting internal revenues are ineffective. For instance, revenue collections from property rates are low because properties have not been properly valued. Furthermore, there are inadequate revenue collectors in most districts. The fourth design problem is the absence of appropriate sanctions or punishment for tax defaulters. Most residents, especially traders, do not feel obliged to pay taxes.

5.5 5.The link between IGR, Expenditure and Economic Development

Since 1995, the central government has assumed responsibilities for salaries as well as pensions of district staff provided they fall within the approved manpower ceilings of the assemblies. Other operational and administrative expenses of the assemblies are also borne by the central government**.**

According to Ugoo (2008) the need for revenue generation can't be overemphasized, the management of revenue generated in the local government constitutes the crucial and central component in the Administrative process of the local government. This is largely so because finance determines the services rendered by the local government. Ugoo (2008) further revealed that higher IGF is associated with higher development of the local economy.Local governments use IGR in executing various projects in the areas of education, health, water supply and sanitation (Mensah, 2000). Adedji (1979) capped it all when he declared that the success or the failure of the local government depend on the financial resources available to the individual local government and the way those resources are utilized.Olusola (2014) indicated that the extent to which the local government system undertake development expenditure is dependent on the amount of IGF generated. Local economies that are able to mobilize more IGF are likely to have better infrastructural development compared to local economies with low IGF.Owusu (2012) in his study revealed that there is no enough evidence to suggest that higher IGF is associated with better infrastructural development as most MMDAs expend their IGF on consumption rather the capital expenditure. This negatively affect the infrastructure stock of the local economy thereby dampening local economic growth.Similar to the findings of Olusola (2014), Nkrumah (2000) opined that increase in IGF correlate to higher economic development if the IGF is expended on infrastructural project.

2.5.6 Suggestions for effective revenue mobilization by District Assemblies

According to Elizabeth (2010) the efforts of local government should not only be directed toward the revenue yielding alone but also to the provision of social amenities such as basic health facilities, accessible roads, town halls, electricity and water supply which will help to improve the socio-economic of life of the rural people. There should be constant campaign and awareness programme within each district to enlighten the rural peoples on the benefits of prompt payment of taxes to the government as and when due. Olusola (2014) suggested that districts should develop strategies to improve on the sources of internally generated funds by sponsoring bills that would make the national governments to rechannelling some of their legitimate revenue bases that are presently being collected by the central governments. Improve the internal control systems on collections and remittances of rates and taxes that are presently being diverted by collectors.

There is the need to allocate greater percentage of their earnings to capital expenditure, so as to be able to fulfil their social obligations to the citizens. The local government should embark on the establishment of small scale industries which will provide employment opportunities for the youths in the rural area to tackle the problem of rural-urban migration.There should be improvement and development with agricultural sector, such improvement will encourage participation of the rural people within the districts which will improve their standard of living of the people.

Owusu (2012) suggested the use of Records of Rateable Persons and Tenements to facilitate the planning and execution of revenue collection. Each district was divided into geographical main control areas. The main control areas are in turn divided into sub-control areas. Each sub-control area was represented by a ledger book, or sometimes more than one book in the case of very large sub-control areas, the ledgers are split into more managerial sizes. In distinguishing between each rateable person and tenement in the sub-control area, area code, revenue code and account number are prescribed.

At the middle of each month, the revenue heads prepare a programme for the following month, showing for each unit committee within the main town or area council in the district, the date on which the collection is to be made and by when (MMDA Manual, 2010). The decentralization programme devolves revenue and expenditure responsibilities to the local authority. The districts thus adopt a number of techniques to support them in mobilising as much revenue as possible.

There are two main categories of revenue collected by the Assemblies. These are Grants or funds from the Central Government and revenue generated by the Assembly itself in the forms of fees and rates. The Head of the Assembly is charged with the responsibility of generating and collecting internal revenue for the Assembly's operations. All such revenues collected are deposited into the Assemblies designated Bank Accounts (Accounting Manual, 2011). Revenue collection in the Assemblies consists of appointment of commission rate collectors who collect rates on behalf of the Assembly and the Assembly's own staff.

Before the revenue collectors start the collection for the assigned area, they are issued the following items: a ledger, a daily report book and identification card. In the discharge of their duties, the following procedures are observed for the collection of revenue: the appropriate serial numbers of rateable persons are checked, appropriate ledger sheet used, and after collection is done, the collector returns the ledger together with the daily report, collections and identification cared to the senior collector. The senior collector then, check each of the amount collected to ledger to see whether the correct amount has been collected. S/he then reviews the daily reports sheet for details of not available ratepayers, defaulters, and other relevant matters that are indicated in the ledger. Finally, the revenue head carries out a final check of all ledger books and pass them to the appropriate progress sheet for subsequent forwarding to the finance officer and update of his register (MMDA Manual, 2010).

The following criteria are important considerations that the Assemblies factor in deciding on revenue sources in their area of operation. One, the adequacy of the revenue source should be considered. The identified revenue source should be capable of yielding substantial revenues. This was because small revenue sources are expensive in terms of expenditure on collection and effort (FOAT/DDF Training, 2010). Next was the elasticity of the revenue source. The identified revenue sources should be capable of yielding additional revenues to respond to the increasing demand for services from the community over time. Further, equity and administrative capacity of the source are considered. Taxes charged by the Assemblies should be based on fairness and the ability of each taxpayer to pay. Also, the cost, effort and time involved in administering a particular revenue source should not be more than the revenues collected. Other factors to consider in deciding on a revenue source are the political acceptability of the revenue source, the economic impact on the propensity of taxpayers to work, save, consume or invest and the tax base coverage.

To facilitate the planning and execution of revenue collection, each district was divided into geographical main control areas. The main control areas are in turn divided into sub-control areas. Each sub-control area was represented by a ledger book, or sometimes more than one book in the case of very large sub-control areas, the ledgers are split into more managerial sizes. In distinguishing between each rateable person and tenement in the sub-control area, area code, revenue code and account number are prescribed. At the middle of each month, the revenue heads prepare a programme for the following month, showing for each unit committee within the main town or area council in the district, the date on which the collection is to be made and by when (MMDA Manual, 2010).

2.6 Constraints in Democratic Local Governance in Ghana

This section addresses the question of whether decentralisation in Ghana entails democratic decentralisation, that was, whether it involves the transfer of power and resources to representative actors that are democratically elected and relatively independent of central government. As stated above, the constitutional framework, though not wholly unambiguous, was inclined towards a democratic form of decentralisation, rather than mere deconcentration. But to what extent was this translated into practice? Findings are of a number of constraints and limitations on democratic local governance in Ghana. These are grouped and discussed here in four clusters, issues of local government autonomy, of fiscal independence, of district-level capacity, and of inclusion and participation. Despite adherence to the rhetoric of decentralisation, the political commitment of national governments to the devolution of power to local authorities was often limited, disinclined to lose power themselves.

In Ghana, it was evident that the autonomy of local government was compromised and undermined in a number of ways, indicating that central government control remains very real. Nkrumah (2000) argued here that its influence was maintained through a number of processes: presidential appointments, non-partisan elections, administrative control and fiscal control (Nkrumah, 2000). A particularly significant means of restricting local government autonomy was through central government control of the purse strings. To what degree was local government fiscally independent? To what extent was local government financing commensurate with its responsibilities? How dependent are district authorities on central government for their financing? How adequate are their own revenue raising powers? In the opinion of Nkrumah (2000), District authorities or Assemblies have three sources of revenue: the District Assemblies" Common Fund (DACF), ceded revenue, and their own revenue-raising powers through local taxation.

The DACF was the main source, providing a constitutionally guaranteed minimum share of government revenue, and thus some financial independence. Yet evidence of its workings was somewhat mixed. On the one hand, annual monies distributed by the DACF have increased quite significantly from 38.5 billion cedis in 1994 to 165 billion cedis in 1999 in actual amounts, that was without taking inflation into account (Nkrumah 2000: 63). On the other hand, it was disputed whether district authorities have received the full five percent, with annual allocations based on projections of annual revenue, and invariably underestimated.

A report for USAID states that DACF disbursements have averaged about 4.3 per cent of actual annual revenue, though no source was cited (USAID 2003: 15). A further argument was that the five per cent minimum of national revenue was insufficient, given the broad range of responsibilities devolved to district authorities. A second source of finance was 'ceded revenue'. This was revenue from a number of lesser tax fields that central government has ceded to the DAs. Ceded revenue was still being collected in the form of Entertainment Duty, Casino Revenue, Betting Tax, Advertisement Tax and others (Ayee 2000: 32) by the Internal Revenue Service (IRS), but then transferred to DAs via the Ministry of Local Government and Rural Development. Again, there was mixed evidence of its workings. Nkrumah (2000: 62) suggests that ceded revenue has contributed quite substantial sums to local governments, yet Ayee (2000: 32) cites evidence from his three case-study districts that none had actually received such disbursements from central government.

Local authorities are not completely dependent on central government and do themselves have some revenue-raising powers. Such local taxation was limited, however, with Nkrumah (2000: 61) commenting that the "lucrative tax fields" (for example, income tax, sales tax, import and export duties) all belong to the centre, while local government have access only to "low yielding taxes such as basic rates and market tolls". Given the extensive responsibilities decentralised to district authorities, outlined above, it was generally recognised that their financial position is weak. Local government has little fiscal independence, remaining overwhelmingly dependent on central government for its financial resources, with limited revenue raising ability. Oyugi (2000: 12-3) suggests that the dependence of local authorities on central government funding leads to a loss of 'operational autonomy', with local initiatives undermined.

The establishment of the DACF was certainly an advance in this respect, providing a constitutionally guaranteed minimum, though the figure of five per cent would seem inadequate. Yet we are also reminded that central government directives determine 75 per cent of expenditure. Greater autonomy still would stem from the ceding of greater revenue-raising powers, but the likelihood of such fiscal reforms was slim. Overall, it appears that central government has been more willing to share its responsibilities with local government than to share its revenue. The consequence of a fiscal crisis for local government, perhaps generated by central government, would be an inability to deliver public services in line with new responsibilities, in turn undermining the DA's legitimacy in the eyes of the local electorate. Any notion of popular control is undermined by the truism that 'he who pays the piper, calls the tune', with DAs responding less to local taxpayers and more to the requirements of central government. In relation to other Sister Districts in Volta in particular, though Internally Generated Fund plays significant role in the development of Districts Assemblies especially in the aspect of non-physical project. District Assemblies still largely depends on Government inflows and other interventions from Donors for their developments.

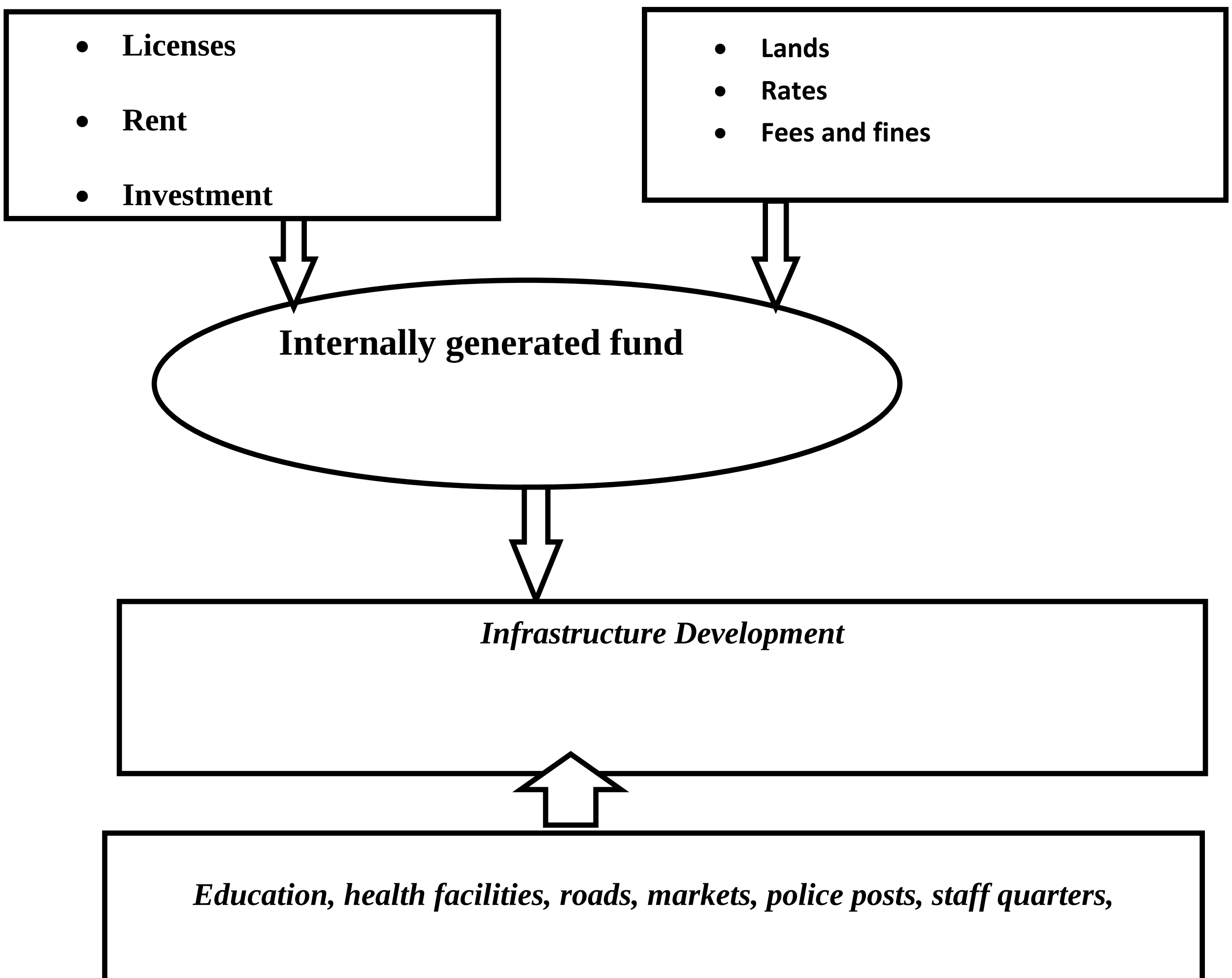
Gill (2000) has defined revenue administration as the process of administering the various direct and indirect taxes in an economy with the objective of generating revenue. By Gill's definition tax administration, customs administration and land administration are captured. The concept has also been defined as the implementation of tax laws and policies (Kessey&Kroes, 1992). Bird (2004) defines an effective revenue administration as the one that establish an environment in which citizens are induced to comply voluntarily and efficient revenue administration as one that requires minimum cost to ensure voluntary compliance. Gill (2003) and Kessey (1995) have noted the important activities for successful administration of revenue: human resource management, budgeting, purchasing and supplies, accounts, research, planning, monitoring, auditing and internal control, risk analysis, tax payers services (including education), tax assessment and collection.

However certain activities within this framework are central and directly linked with revenue generation (Gill 2003). These core tasks are identification of tax payers, provision of tax services and education, assessment of tax liabilities, auditing and monitoring, collection and enforcement. Based on the above theoretical under pinning forwarded by Gill (2003) and Kessey (1995) three different but interrelated interview questionnaires were designed for three major actors of IGF mobilization and utilization. The main objective of this analysis is to find out the views and perception of the different actors on the overall functions of the IGF in the district.

2.7 Conceptual framework

The figure shows the sources of internally generated fund at the local government levels and its impact on infrastructural development. The figure revealed that the MMDAs raised their IGF through rates, fines and penalties, investments, and rents. This monies come together to form the IGF of the MMDAs which is utilized for infrastructural projects such as construction of schools, grading of roads, construction of drainage system, market centers among others. The figure clearly portrays that infrastructural development is dependent on the internally generated funds of the MMDAs. The conceptual frame work can be seen in Figure1 bellow.

Figure 1: Conceptual Framework



Source: Author Construct, 2018

2.8 Identified gaps on the literature review

Ola and Tonwe (2003) established that Internally Generated Revenue (IGR) is the primary source of local government sustenance. Akindele, Obiyan et al. (2002) including Adebayo and Rowland (1974) also wrote on the concept of IGR. They sought to operationalize the concept but did little to analyse its composition. Researchers who attempted compositional analysis often examine larger systems with no regard to specific institutions. They do general listing of sources of internally generated revenue which do not often pass for every institution especially the District Assemblies (DAs). It is therefore important that a District base analysis be done to first itemize and secondly do an analysis of the contribution of various sources to the IGR figure.

In Ghana, Central government assumes responsibility for paying salaries of district staff including pensions. Central government funding is also provided under the caption DACF (District Assemblies Common Fund). Such funding cannot however be used in paying for recurrent daily administrative expenses of DAs. Therefore DAs are supposed to meet their recurrent expenditures (administrative) based largely on their IGR. For this reason, Abba Ugoo (2008) stated that the need for revenue generation for DAs cannot be overemphasized and is critical for the daily administrative process of the local government. This work therefore seeks to examine how the IGR meets the administrative recurrent expenditures of the Sissalla East District Assembly. An equilibrium or excess revenue over expenditure will be qualified as a sustainability indicator. Such a comparative analysis has not been done by Ghanaian researchers in local government studies.

Lastly, current suggestions for effective revenue mobilization at the District level have not been exhaustive. Elizabeth (2010) and Olosola (2014) provided a broad prescription as to how DAs can enhance their capacity to mobilize more IGR. They however fall short of identifying the specific actions that need to be taken in the Districts.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter contains two sections. The first section presents the geographical and socio-economic characteristics of the study area. The demographic characteristics of the area are shown in this section as well. The second section deals with the methodology. This examines the process of field work and why some methods were used. The methods used herein are partly responsible for the findings.

3.1 Study Area Description

The Northern Region, one of the ten administrative regions of Ghana, a country lying on 0 longitude of the West Africa Coast. Ghanaian hospitality is legendary; the Northern Region is no exception. And so you are welcome to enjoy the scenic natural features, exotic culture and the legacies of a history of the largest region in Ghana. The Northern Region of Ghana contains 28 districts. 19 are ordinary districts in addition to 8 municipal and 1 metropolitan districts. The MMDAs are Bole District, Bunkpurugu-Nyankpanduri District, Central Gonja District, Chereponi District, East Gonja Municipal District, East Mamprusi Municipal District, Gushegu Municipal District, Karaga District, Kpandai District, Kumbungu District, Mamprugo Moaduri District, Mion District, Nanton District, Nanumba North Municipal District, Nanumba South District, North Gonja District, Saboba District, Sagnarigu Municipal District, Savelugu Municipal District, Sawla-Tuna-Kalba District, Tamale Metropolitan District, Tatale Sangule District, Tolon District, West Gonja District, West Mamprusi Municipal District, Yendi Municipal District, Yunyoo-Nasuan District and Zabzugu District (Ghana Statistical Service, 2015).

Location

Northern Region has 13 of the 110 district of the country. Its geographical features are mostly low lying, except in the north eastern corner with the Gambaga escarpment and along the western corridor. The land is drained by the tributaries of the Volta Lake: Rivers Nasia, Daka, Oti, the Black and White Volta covering over a third of the whole land mass of the 70,390km big enough to swallow up other regions like Volta, Ashanti, Western and Greater Accra put together; call it the mother of all Regions. Northern Region has 36 local administrative units.

Borders

The region is bounded on the north by the Upper East and Upper West regions, on the west by Cote D'Ivoire and on the east by Togo. The regions on the south are the Brong Ahafo and Volta regions.

Population and Ethnic Groups

With population of nearly 2 million, the main ethnic groups are Dagomba, Nanumba, Mamprusi, Gonja and Komkombas. Other groups include Chekosis, Bimobas and Vaglas.

Capital

Tamale, the capital, is the country's fourth largest city. It is the nerve centre of all commercial activities in the whole of the Northern Sector of Ghana. Tamale is an incredible juxta-position of the ancient and modern. The traditional architecture of round huts with conical thatched roofs are sights to see (Ghana Statistical Service, 2015).

3.2 Research Type and Design

Research design according to Osuala (2001) is the blue print or plan which determines the nature and scope of a study to be carried out or proposed. The research design used in this project is descriptive design which seeks to describe the existing status of what is being investigated and it will also help the researcher to know where the variables are gotten and how the objectives could be achieved. This descriptive approach involves the normal gathering, analysis and interpretations or a set of data so as to explain the underlying factors that surround the problems that triggered this research. It allows for testing of hypothesis and application of quantitative techniques to explore the relationship among the variables as indicated in the specific objectives stated in Chapter one. According to Creswell (2007), research approach could be quantitative, qualitative or mixed. For the purpose of this study, the study adopted quantitative approach since the study seeks to test hypothesis and establish causal relationship or effect among the variables using econometric tools.

3.3 Population

Population is the totality of the respondents being considered for the study. The study considered all the 28 Municipal and District Assemblies in the Northern Region of Ghana. The specific contact persons were DCE, Head Finance Officer, Head of Budget, and 2 assembly members on finance and works committees, and 50 payers. An estimated population is 190.

3.4 Sample

Sample Size

Sample size is basically selecting part of the study total population to study. With a study population of 180, the sample size was calculated using Enshassi and Swaity (2015), a statistical formula: $S = \frac{Z^2 P(1-P)}{C^2}$

Where

S = Sample size,

Z = Z value (e.g., 1.96 for 95% confidence interval),

P = Percentage choice of sample size needed expressed in decimal (0.50 used for sample size needed)

C = Maximum error of estimation (0.05)

$$S = \frac{1.96^2 0.5(1-0.5)}{0.05^2} = 384.$$

As indicated by Enshassi and Swaity (2015), the correction for the finite population is described as

$$S_{new} = \frac{S}{1 + \frac{S-1}{pop}}$$

Where, pop is the population, which was estimated to be 150

Hence $S_{new} = \frac{384}{1+\frac{384-1}{190}} = 127$

This implies that, at least 127 elements should be selected from the target population to give fair representation and accurate findings.

3.5 Sampling Techniques

Purposive and Simple Random sampling techniques were employed to select the respondents to respond to questions on sources of revenue, challenges facing the assemblies among others. Purposive sampling technique is a non-probability sampling technique which allowed respondents with in-depth knowledge on specific issues to be automatically selected and interviewed. All chief executives, head of budget, all the assemblies and head of finance of each assembly were selected purposively because they have enough knowledge on sources of revenue and expenditure. Simple random sampling technique is employed to select two respondents from the finance committee members and tax payers because it gives each committee member equal opportunity of being selected.

3.6 Research Instruments

Having regard to the complexities involved in revenue mobilization studies, a single data collection method cannot be used (Wart, 1993).The most effective approach to the study is to employ a combination of methods which have been extensively described and employed elsewhere by known researchers (Wangwe, 1999; Wadha, 2009; Williams,1987; Wickham, 2006; Freeman,2010). Wickham (2006) used questionnaires to study government revenue collection in Tanzania and his results were considered valid. Daniel, 1999 used a similar method to study sources of tax revenue to local authorities in Nigeria. Lamolla in 2005 also used similar methods including the examination of relevant documents.

Considering the above, I have employed the following research instruments:

a) Questionnaires: Structured Survey questionnaires have been administered to selected respondents of the Gushegu District Assembly.

b) Unstructured interviews were also used to close gaps in the data collection process.

c) Examination of records specifically the financial statement and annual budgets of the District.

3.7 Validity and Reliability Evidence

To ensure the reliability and validity of the study outcome, greater care has been taken in selecting a research design and data collection instruments. The survey questionnaires were first designed and pre-tested. After this pre-testing, modifications were made to a number of questions to enhance clarity and consistency.

Also, Instrument triangulation has been applied; resulting in the use of both survey questionnaires and unstructured interviews.

3.8 Data Collection Procedure

The survey questionnaires were divided into two major parts; Part A and Part B. Part A questions were used to get information on the characteristics of the respondents. Part B questions were centered on the research objective three. Part B focused on identifying the challenges facing the assemblies. Annual budgets and the financial statements were examined. Data on infrastructure development, internally generated fund and donor funds were obtained from the finance department of the MMDAs for the period 2003-2016. However, data on GDP per capita and inflation is obtained from the World Development Indicators from World Bank.

3.9 Data Analysis Plan

The data has been analysed using the following:

(A) Tabulation and charts have been used to analyse and categorize the data. Information on characteristics of the respondents; such as age, educational attainments, gender, years spend in at work have been analysed by means of tabulation and charts.

(B) A statistical tool (SPSS) was used to analyse some of the information, compute regression and correlation leading to the testing of the study hypothesis.

In presenting the data both qualitative and quantitative methods are used. According to Derbile (2003) and Gilbert 2006, there has been the polarization along the lines of qualitative and quantitative methods of data presentation in any discipline, either in natural or social science. Proponents of quantitative method argue that human behavior in the social science, like the physical phenomena in the natural science can be quantified in attributes (Bacho, 2001; Derbile, 2003; Gilbert, 2006).

Straus and Corbin (1990) and Haque (2000) defined quantitative research methodology as the type of research that generates findings arrived at by statistical procedures. By the end of 1970s, scholars began to realize the need for both methods in the field of research since no one method answer all the questions let alone provide insights on all issues (Gilbert, 2006).

Detail analysis of each objective is specified below;

Identifying whether there is significance difference between IGF of the MMDAs of the Northern Region and national IGF average

Quantitative tool: One Sample T-Test

The one or single sample t method tests a null hypothesis that the population mean is equal to a specified value. If this value is zero (or not entered) then the confidence interval for the sample mean is given (Altman, 1991; Armitage and Berry, 1994). The application of the one sample T-test is appropriate for this objective since we seek to compare the mean IGF value of Gushegu District Assembly to the national IGF mean. The study tested the following hypothesis;

Null Hypothesis: The mean IGF of the MMDAs in the Northern Region of Ghana is equal to the national IGF mean

Alternative Hypothesis: The mean IGF of MMDAs in the Northern Region of Ghana is significantly different to the national IGF mean

The test statistic for a One Sample *t* Test is denoted *t*, which is calculated using the following formula:

$$t = \frac{\beta - \gamma}{\pi}$$

Where $\pi = \frac{\theta}{\sqrt{\mu}}$

Where

γ = Proposed constant for the population mean

β = Sample mean

μ = Sample size (i.e., number of observations)

θ = Sample standard deviation

π = Estimated standard error of the mean

The calculated t value is then compared to the critical t value from the t distribution table with degrees of freedom $df = n - 1$ and chosen confidence level. If the calculated t value > critical t value, then we reject the null hypothesis.

Examining the effect of internally generated funds (IGF) on infrastructural development of the MMDAs in the Northern Region of Ghana

To explore the effect of internally generated funds on the infrastructural development of the 28 MMDAs in the Northern Region of Ghana, the study set up a model that explains the relationship between internally generated funds, central government transfers, and other controls. Based on the work of Ibrahim and Sare (2018), the study specifically specifies that infrastructure development (ID) is a function of internally generated fund (IGF), central government funds (CGF) and other control variables. This is specified is follows;

$$ID_{it}=f(IGF_{it},CGF_{it},Cont_{it}) \qquad (1)$$

Where ID_{it} represents infrastructure development for assembly i at time t, IGF_{it} is internally generated fund for assembly i at time t, CGF_{it} is central government transfer fund to assembly i at time t.$Cont_{it}$ is a vector of control variables disaggregated into GDP per capita (GDPP), donor funds (DF) and inflation (INF).

To explore the precise effect of internally generated funds and other controls on the infrastructural development of the MMDAs, equation 1 above is altered and specify as equation 2 below;

$ID_{it}=\alpha_0 ID_{\ it-1}+\alpha_1 IGF_{it}+\alpha_2 CGF_{it}+\alpha_3 GDPP_{it}+\alpha_4 DF_{it}+\alpha_5 INFL_{it}+\&_i+\emptyset_t+\mu_{it}$

(2)

Where ID_{it-1} is the lagged of infrastructure development; $\&_i$ is unobserved assembly-specific effects,$\emptyset_t$ is the time effects, μ_{it} is the idiosyncratic error term while other variables are same as previously defined.

From Eq 2 α_1, α_2, α_3, α_4 and α_5 measures the direct impact of internally generated funds, and other controls on infrastructure development of the MMDAs. The simultaneous existence of ID_{it-1} and$\&_i$ confirms potential presence of endogeneity since ID_{it-1} correlate with the error term. (See Ibrahim and Sare for more details).

There is potential of endogeneity in the Eq. (2) specified above which may produce biased results owing to the lagged variable of infrastructure development. The study seeks to deal with the potential endogeneity issue by utilizing Generalized Method of Moments (GMM).

Where EM_{it-1} is the lagged of earnings management; $\&_i$ is unobserved country-specific effects,$\emptyset_t$ is the time effects, μ_{it} is the idiosyncratic error term while other variables are same as previously defined.

From Eq 2 α_1, α_2 and α_3 measures the direct impact of international financial standard, auditor type and firm size on earnings management.

The simultaneous existence of EM_{it-1} and$\&_i$ confirms potential presence of endogeneity since EM_{it-1} correlate with the error term. The use of GMM and fixed effect is a logical first step to deal with potential endogeneity. In addition, the application of GMM mandates us to use additional moments that make use of the stationarity property of the variables under consideration (Ibrahim and Sare 2018, Blundell and Bond, 1998).

Infrastructure development is proxied by amount of money invested in infrastructure for renovation, modification or building of new infrastructure; IGF is proxied by revenue generated within the jurisdiction of each assembly which is obtained from rates, royalties, rents, licenses fees, fines and penalties; Central government fund is measured by the district assembly common fund received by the assembly for the years under review while the control variables proxied by funds from donor agencies, economic growth, and inflation. Inflation and GDP per capita is based on the definition of World Development Indicators of the World Bank (2018). Hence equation 2 test the hypothesis

$H_{0:}$ Internally generated funds have no effect on infrastructure development of the MMDAs in the Northern Region

$H_{a:}$ Internally generated funds have effect on infrastructure development of the MMDAs in the Northern Region

Exploring the challenges facing the MMDAs in the Northern Region in mobilizing and utilizing of internally generated funds (IGF)

In order to test the hypothesis that there is no agreement among respondents regarding the rankings of challenges facing MMDAs in the Northern Region in mobilizing and utilizing of internally generated funds the Kendall's Coefficient of Concordance is employed. From the review of literature, various types of challenges were identified and their applicability to the study area was thoroughly examined and verified. Hence in examining these challenges the Kendall's coefficient of concordance, represented by the symbol *W*, asan important non-parametricmeasure of relationship will be employed.

Kendall's coefficient of concordance (W) is a measure of the agreement among several (P) judges who are assessing a given set of n objects (Legendre, 2005). W is an index that measures the ratio of the observed variance of the sum of ranks to the maximum possible variance of the ranks. The idea behind this index is to find the sum of the ranks for each challenge being ranked. If the rankings are in perfect agreement, the variability among these sums will be a maximum (Mattson, 1986). The Kendall's concordance coefficient (W) is therefore given by the relation:

$$W = \frac{12S}{p^2(n^3 - n) - pT} \qquad 3.2$$

Where W denotes the Kendall's Concordance Coefficient, P denotes number of constraints, n denotes the number of respondents (sample size), T denotes correlation factor for tied ranks and S denotes sum of square statistic.

The hypothesis to be tested is stated as follows, where H_0 and H_1 denote null and alternate hypothesis respectively.

H_0: There is no agreement among respondents regarding the rankings of the challenges.

H_1: There is agreement among respondents regarding the rankings of the challenges.

Decision Rule

The decision rule for testing the significance of W is to compare the Chi-square critical to the chi-square calculated. If the chi-square calculated is greater than chi-square critical, then we reject the null hypothesis and rather accept the alternative hypothesis. This means that there is agreement among the respondents regarding the challenges facing the MMDAs in the Northern Region in mobilizing and utilizing of internally generated funds.

3.9 Ethical Consideration

No persons or person has been harmed or would be harmed as a result of this work. Data collected from individuals has been presented in aggregates and the privacy of respondents is respected.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

4.0 Introduction

This chapter presents the findings of this work. It contains the demographic characteristics of the respondents such age distribution, gender, and educational qualifications, and findings on the specific objectives stated in chapter one. In analysing the data collected, a statistical package for social sciences (SPSS) tool and Stata were used. Also, Histogram, Bar graph and tables were used in the presentation of data. The simple statistical method of frequencies and percentage were applied.

4.1 Demographic Characteristics of Respondents

4.1.1 Age distribution of respondents

Most of the respondents contacted for this study were between the ages of 31-40.They consisted of 62.3% of the total sample. This indicates that majority of the assembly staffs are youthful. The Table below shows the age distribution of the sampled staff in the MMDAs.

Table 4.1: Age Distribution of Respondents

Age	Frequency	Percent
20-30	28	36.4
31-40	48	62.3
41-50	1	1.3
Total	**77**	**100.0**

Source: Field Survey, 2018

4.1.2 Gender distribution

Majority of the respondents were males. Females made up of only 18.2% of the total sample. The Table below shows the gender distribution. This shows that the MMDAs have male dominated work force.

Table 4.2: Gender Distribution of Respondents

Gender	Frequency	Percent
Male	63	81.8
Female	14	18.2
Total	**77**	**100.0**

Source: Field Survey, 2018

4.1.3 Educational levels

Up to 41.6% of the workers contacted had a Higher National Diploma. Those with Bachelor degree were 37.7%. Another 19.5% had a postgraduate qualification. Table 4.3 below shows the qualifications of workers contacted for the study.

Table 4.3: Educational Qualification of Respondents

Education	Frequency	Percent
SSSCE/WASSCE	1	1.3
Diploma	32	41.6
Degree	29	37.7
Postgraduate	15	19.5
Total	**77**	**100.0**

Source: Field Survey, 2018

4.1.4 Years in service

It has been realized that only 1.3% of the workers contacted have worked at the Assemblies for up to 9 years. Majority of the workers have only worked there for about 2 years; that is 36.4% of the sample. The Figure below indicates the worker's number of years in the service at the MMDAs.

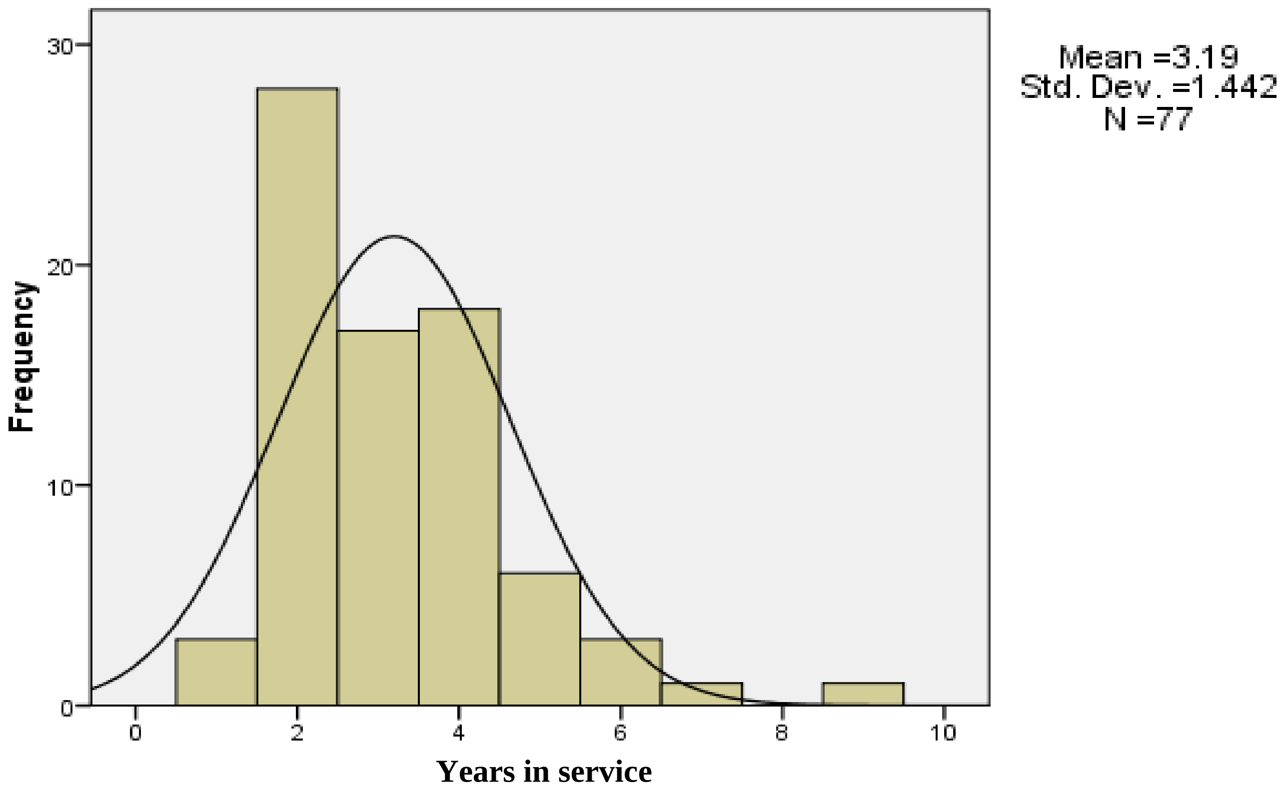


Figure 2: Histogram Showing Years in Service of Respondent

Source: Field Survey, 2018

4.2.1 Sources of MMDAs Funds

The means available to local governments to translate power and competence at their disposal into development phenomenon – i.e. the resources with which to perform the transferred functions – forms the subject matter of local government financing. The financial provisions for the new local government system are contained in Articles 245 and 252 of the 1992 Constitution and section 34, part vii, part viii, part ix and part x of the Local Government Act, 1993, Act 462. Revenues from those sources may be classified as:

- Internally/Locally generated (traditional)

• Central government transfers

4.2 Sources of MMDAs internally generated fund

In the survey, seven (7) main sources of Internally Generated Funds (IGF) have been identified in the MMDAs. These are rates, land royalties, rent of landed properties, license, fees, fines & penalties & forfeitures, investments and miscellaneous sources. However, for the past 7 years, Fees, Fines, Penalties and Forfeitures is the major source of internal revenue across the MMDAs. This is closely followed by rates. Table 4.4 below indicates the sources of revenue in the MMDAs.

Table 4.4: Sources of IGF

Source of Revenue (IGF)	Five (7) Years accumulated amount (GhC)	Percentage contribution (%)
Rates	118,315.14	22.8
Land Royalties	67,787.00	13.1
Rent of lands, buildings and houses	44,939.35	8.7
Licenses	57,164.70	11.0
Fees, Fines, Penalties and Forfeitures	156,495.83	30.2
Investments	8,396.22	1.6
Miscellaneous	65,104.32	12.6
Annual Totals	**518,202.5**	**100**

Source: Field Survey, 2018.

Even though the Constitution empowers district assemblies to levy and collect local taxes, the MMDAs are not able to neither charge nor collect most taxes. This is put down to the high poverty levels among the people and the inadequacy in productive activities. However, there has been a consistent annual revenue increment of more than 10% from 2010 to 2017.

Rates: Rates are a type of property tax system, the proceeds of which are used to fund local government. Central to rates determination is property valuation. Property valuation which is the base of rate determination has carry out last in 2000. This has not been updated until today. In 2010, the MMDAs on average made GhȻ300,961.90 from rates and GhȻ800, 024.75 in 2014. The amount of monies made from rates saw an inconsistence between 2010 and 2016.

Land royalties: These are specified amounts payable annually by holders of leasehold grants and other terminable interest in land transactions in respect of plots/parcels of land for residential, industrial, commercial, religious and other habitable uses. It is payable whether the land is developed or not. In 2010 the MMDAs made an average amount of GhȻ1, 040,160.00 and GhȻ 3,000, 010.00 in 2016 from land royalties. Revenue from this source has been increasing consistently.

Rent of lands, buildings and houses: These are amounts payable annually for the use of land, properties, or landed properties belonging to the MMDAs. It includes payment of rent on accommodation provided by the MMDAs and property tax. In 2010, an amount of

Gh₵600,891.50 on average was made from this source and in 2016; an amount of Gh₵1, 5,00, 291.75 was made. For instance at Gushegu district assembly, between 2010 and 2016, an accumulated amount of Gh₵54,939.35 was made.

Licenses: These are monies paid for formal (usually written) authorizations. For instance, property developers, Timber companies, Quarry companies and enterprises, hunters, micro-finance business operators etc all need to be licensed before they can operate. In 2010, on average licenses yielded Gh₵50,307.00 and Gh₵90,834.50 in 2016.

Fees, Fines, Penalties and Forfeitures: fines and penalties are fees levied as punishment for breaking a bye-law or a regulation put in place by the District Assembly. For instance, people who cut down trees unlawfully are made to pay fines. Forfeitures are however properties confiscated from their suppose owners due to violations of rules of procedure. For instance, an unregistered motorbike can be arrested and if owner fails to prove his legal ownership it may be forfeited.

Investments: These are dividends and revenues gained from direct investments and Public Private Partnerships (PPPs) that the Assembly has engaged in. In 2016, the MMDAs on average made an amount of Gh₵102,980.57.

Miscellaneous: These are revenues gained from sources and activities either than the above mentioned. Revenue from miscellaneous amounted to Gh₵60,343.59 in 2010 and Gh₵89,720.50 in 2015.

4.2.2 The link between IGF and Project Expenditure.

Data collected has shown that the district's IGF is used in paying for administrative expenditures. The Table 7 below indicates the Annual Administrative Expenditure (AAE) and the Annual Internal Generated Fund (AIGF).

Table 4.5: Average IGF and Administrative Expenditure

Tabular comparison of Annual IGF and Annual Administrative Expenditure					
Year	2010	2011	2012	2013	2014
AAE*	1,030,163.21	1,045,112.03	1,324,237.32	1,437,568.09	1,620,767.01
AIGF**	97,343.12	71,656.56	70,386.99	105,056.49	173,759.4

Source: Field Survey, 2018

AAE* *is the Annual Administrative Expenditure*

AIGF** *is the Annual Internal Generated Fund*

From the Table 7 above, it can be seen that the average MMDAs Internal Generated Funds falls far below their administrative expenditure. As a result, no project was found to be funded with IGF. It is however prudent to mention that numerous number of projects has been implemented in the MMDAs between 2010 and 2014. These projects are variously funded. While some are funded by the central government, others are funded by nongovernmental organizations.

All projects implemented from 2010 to 2014 were implemented using NGO or central government funding. IGF were not used in the implementation of any projects. It can however be seen that the total cost of projects implemented far exceeds the IGF that the MMDAs could mobilized on average within the period. Technically, the MMDAs could not have carry out any projects on its IGF.

Table 4.6: Projects and Sources of Funding

Year	Tno.P	No.Proj.	Source Of Funding	Cost of Project. (GhȻ.00)
2010	27	4	DWAP	238,725.95
		5	NORREP	314,752.86
		6	DACF	414,068.71
		4	DDF	645,626.84
		7	GETFUND	875,313.02
		1	IBIS	249,411.69
2011	36	4	DWAP	263,154.00
		10	DACF	662,866.91
		15	GETFUND	1,815,177.65*
		5	JICA	-------
		2	GSOP	-------
2012	32	14	DACF	413,618.79
		1	MPCF	6,250.00
		8	DDF	651,192.74
		3	GOG	9,593.64*
		4	GETFUND	-------
		1	USAID	-------
2013	48	13	DDF	1,142,735.30
		21	DACF	246,101.74*
		4	GSOP	504,938.34
		10	GETFUND	1,585,225.25
2014	31	10	DACF	296,219.82
		12	GETFUND	369,496.72
		9	DDF	734,642.95

Source: Field Survey, 2018

4.3 Identifying whether there is significance difference between IGF of the MMDAs in the Northern Region and national IGF average

This section analysed whether there is difference between the IGF of the MMDAs in the Northern Region of Ghana and that of the national IGF average for the period of five years between 2013 and 2017 and whether the difference is significant or not using one sample t-test. The result for the five year period is indicated in the Table 4.8 below;

Table 4.7: Comparison of MMDAs average IGF to National IGF

Years	Mean Difference	t-statistic	df	Significance
2013	-Ghc 1,964,157.33	2.913	27	0.007
2014	-Ghc 2,111,957.26	3.218	27	0.003
2015	Ghc 2,376, 900.66	2.537	27	0.000
2016	-Ghc 3, 260,667.43	2.869	27	0.008
2017	-Ghc 6,135, 409.06	0.232	27	0.018

NB: Negative sign shows national IGF average is higher than the regional average

Source: Field Survey, 2018

Result from Table 4.8 showed that there is difference in internally generated fund mobilization performance between the MMDAs in the Northern Region and that of the national internally generated average. The margin of difference increased from Ghc 1,964,157.33 in 2013 to Ghc6,135, 409.06 in 2017 indicating that the MMDAs in the Northern Region of Ghana have failed to increase the internally generated funds at much faster pace compared to the national IGF average.

From Table 4.8, it could be observed that there difference the average internally generated fund between the Northern Region and that of the national is significant for the five years period considered. Based on the significance of the results in Table 4.8, we reject the null hypothesis. This significance difference in internally generated fund mobilization between MMDAs in the Northern Region and the National average is consistent with the views of Ola and Tonwe (2003) and Inanga and Osei-Wusu (2004), they observed that MMDAs fail to mobilize enough IGF especially those in Northern Ghana compared to MMDAs in Southern part of Ghana leading to a huge IGF gap.

4.4 Internally Generated Fund and Infrastructural Development of the MMDAs in Northern Region of Ghana

Preliminary Discussions

This section provides initial discussions of descriptive statistics and correlation coefficients of the indicators employed in the study. Table 4.9 contains the descriptive statistics of variables infrastructure development, internally generated fund, donor fund, economic growth, and inflation for the period 2003 to 2016.

Economic growth was measured by GDP per capital. The average GDP per capita of $1581.052 indicates improvement in income levels in Ghana over the sample period which confirms reduction in poverty levels in Ghana. The value of skewness and kurtosis show asymmetric distribution of GDP per capita making it leptokurtic.

Table 4.8: Descriptive Statistics

	ID	GDP per capita	DF	IGF	CGF	Infl
Mean	78,000.05	1581.052	42,000.374	38,000.46	108,000.271	60.255
S.D	13,000.647	2609.151	2,2500.094	12,000.102	23,000.276	902.591
CV	2.170	1.387	2.695	1.078	1.902	14.980
Skewness	5.261	3.030	6.605	2.932	21.917	25.550
Kurtosis	94.440	14.133	91.932	14.142	694.653	677.290
Min	12,000.05	115.794	3,000.89	3,300.156	32,000.693	-35.836
Max	98,000.73	20333.940	120,000.83	72,000.14	168,000.184	24411.03

Notes: ID= Infrastructure Development; DF= Donor Fund; IGF= Internally Generated Fund; Infl= Inflation; CGF= Central Government Fund; CV= Coefficient of Variation; S.D=Standard Deviation; Min= Minimum; Max=Maximum.

Coefficient of Variation (CV) measures relative variability of the variables which is the ratio of standard deviation to the mean. Hence, the higher the CV, the greater the dispersion thus affording us the opportunity to compare the relative dispersions of the variables. From Table 4.8, donor fund is second most volatile variable with CV of 2.695 among the variables considered for the study. This is not surprising as the amount of donor fund given to the MMDAs is discretion of the donor partners. It is also dependent on the developmental needs of the assemblies and how the previous funds were utilized. Also, the financial strength of the donor country as well as its foreign policies influence the amount donated to developing economy thereby making it more volatile.

Infrastructural development (I)D averaged $78,000.05 with a standard deviation (S.D) of $13,000.647confirming high dispersion over the sample period which has translated into high CV value of 2.170. ID is highly skewed to the right with a value of $5.261 indicating asymmetrical distribution. However, the skewness and kurtosis value of FDI in Table 4.8 indicates ID is not normally distributed.

Regarding internally generated fund, internally generated fund (IGF) private credit to GDP averaged $38,000.46 with deviation of $12,000.102 for the sampled countries over the period. On volatility, internally generated fund had CV of 1.078 making it the least volatile variable. This confirms the lack of creativity and innovative of the MMDAs to improve their revenue mobilization thereby getting almost the same internally generated fund on yearly basis.

On control variables, central government fund had mean of $108,000.271 with standard deviation of 23,000.276. The combination of skewness and kurtosis confirms asymmetric distribution central government fund over the period (Hair et al, 2010, Bryne 2010).

On the other exogenous variable, inflation is the most volatile variable with CV of 14.980, followed All the exogenous variables were rightly skewed with inflation exhibiting higher skewness with a value of 25.550. As indicated by standard deviation, all the variables demonstrated significant variations over the period.

The next section discusses the association of the variables beyond the summary statistics. Table 4.9 presents result of the correlation coefficient between infrastructural development, economic growth proxied by GDP per capita and the remaining variables including internally generated fund, donor fund, central government fund and inflation. Here, we pay attention to the strength and direction of relationship between infrastructural development and the exogenous variables.

Table 4.9: Correlation coefficient

	ID	IGF	CGF	DF	GDP Per Capita	Infl
ID	1.000					
IGF	0.053	1.000				
CGF	0.2115	0.002	1.000			
DF	-0.053	0.345	-0.058	1.000		
GDP Per Capita	0.018	0.036	-0.174	0.388	1.000	
Infl	-0.391	-0.214	-0.537	-0.065	-0.010	1.000

Notes: Notes: ID= Infrastructure Development; DF= Donor Fund; IGF= Internally Generated Fund; Infl= Inflation; CGF= Central Government Fund

Result from Table 4.9 suggests that, infrastructural development exhibit weak relationship with all exogenous variables including GDP per capita coefficients less than 0.5. On direction of association, infrastructural development has positive relationship with internally generated fund, central government fund, GDP per capita but negative relationship with donor fund and inflation. Also, GDP per capital shows weak correlation with all the exogenous variables such as internally generated fund, central government fund, donor fund and inflation. The negative relationship between inflation and GDP per capita is not surprising as increase in inflation creates macroeconomic instability which GDP per capita as well as infrastructural development.

In the next section, we examined empirically, the relationship between economic growth proxied by GDP growth rate, foreign direct investment and financial sector development proxy by private credit based on the two step GMM model.

This section discusses the empirical result of the study on infrastructural development and internally generated fund. The GMM was run sequentially to ascertain the robustness of internally generated fund. Table 4.3 presents the result of GMM, we regress infrastructural development proxied on one period lag together with internally generated fund and other variables in accordance with extant literature.

According to Solow (1956), economies are likely to converge to their steady state path in the long run. Based on this conditional convergence hypothesis, we include one period lag of infrastructural development based on the argument that rate of infrastructural development is dependents on the initial infrastructural development. From Table 4.10, the coefficient of lagged infrastructural development is positive in all the models indicating divergence in infrastructural development for the MMDAs in the Northern Region of Ghana. By implication, MMDAs with better infrastructure develop their infrastructure more rapidly compared to MMDAs with weak infrastructure making it difficult for MMDAs with weak infrastructure development to catch up with well MMDAs with better infrastructure development. The infrastructure development divergence is valid irrespective of the model specification.

Table 4.10: Infrastructural Development and Internally Generated Fund

	1	2	3	4	5
Constant	3.182 (.094)	6.887 (.428)	1.475 (.353)	-30.504 (20.370)	-5.746 (17.139)
Lagged ID	0.807*** (.009)	1.001 (.023)	1.065*** (.007)	0.929 (.027)	0.783*** (.0316)
IGF	1.161*** (0.008)	0.785*** (0.005)	0.890*** (0.007)	1.153*** (0.004)	1.129*** (0.001)
CGF		1.057*** (0.019)	0.909*** (0.012)	0.119*** (0.001)	1.091*** (0.015)
DF			1.248*** (0.010)	-1.065*** (0.007)	1.247*** (0.012)
GDP Per Capita				1.595 (0.008)	1.121 (0.001)
Infl					-0.541** (0.00004)
Wald chi2(2)	3659.39	4043.83	1129.07	4306.51	1820.89
Prob > chi2	0.000	0.000	0.000	0.000	0.000
Sargan test	43.227	38.063	37.581	35.982	39.073
AR(1)	-2.619 [0.008]	-2.312 (0.020)	-2.904 (0.003)	-2.643 (0.008)	-2.538 (0.011)
AR(2)	-1.607 [0.108]	-1.781 (0.074)	-.783 (0.433)	-.973 (0.330)	-.864 (0.387)

Notes: *, ** and *** represents significance at 10%, 5% and 1% respectively. Values in parentheses are the standard errors. ID= Infrastructure Development; DF= Donor Fund; IGF= Internally Generated Fund; Infl= Inflation; CGF= Central Government Fund

We introduce key variable such as internally generated fund sequentially to assess their stability and robustness of their effect on infrastructural development. Column 1-5 in Table 4.10 presents the findings of the effect of internally generated fund and other control variables on infrastructural development of the MMDAs in the Northern Region of Ghana. Column 1 in Table 4.9 reports the effect of internally generated fund on infrastructural development. We noticed that when internally generated fund is employed as the only independent variable, there is positive relationship between internally generated fund and infrastructural development, where $1 increase in internally generated fund increases infrastructural development by $1.161 which is significant at all conventional levels. This implied that internally generated fund if well mobilized stimulate infrastructural development at the local level. The infrastructure enhancing effect of internally generated fund occasioned by fiscal decentralization is consistent with the findings of Bahl et al. (2002) who observed that fiscal decentralization can directly affect poverty especially improvement in the infrastructural stock of the local economy and income inequalities in a myriad of ways, and they ultimately depend on the specific characteristics of each fiscal decentralization processforeign direct investment stimulate economic growth. Similarly, Ola and Tonwe (2003), indicated that internally generated fund is the primary source of local government sustenance which contributes positively to infrastructural development of the local economy. Internally generated fund maintained it infrastructural development enhancing effect in the presence of central government fund, donor fund, GDP per capita and inflation (see 1-5). The positive effect of internally generated fund is significant irrespective of the model specification. This indicates that the precise effect of internally generated fund on infrastructural development is not sensitive to the model specification.

In terms of central government fund, result in Table 4.9 indicates that increase in central government fund improves infrastructure development. This finding is highly robust irrespective of the model choice, suggesting that increase in central government is crucial for economic growth. In column 2, increase in central government fund by $1 significantly enhances infrastructural development by $1.057. This effect is robust and insensitive to the model choice. Consistent with Inanga and Osei-Wusu (2004), the authors observed that central government fund increases significantly infrastructural development at the MMDAs levels. Also, donor fund and GDP per capita showed positive and significant effect on infrastructural development. However, donor fund exhibited negative effect on infrastructural development in in Column 3 indicating that the precise effect of donor fund on infrastructural development is sensitive to the model specification.

Interestingly, macroeconomic instability proxied by inflation has negative and significant effect on infrastructural development. The significant negative effect of inflation on infrastructural development confirms the retarding effect of inflation on infrastructural development. Increase in inflation triggers increase in prices of works, goods and services. This affects the level of infrastructural development owing to increase in cost of executing infrastructural projects. This confirms the findings of Ibrahim and Alagidede

(2017) where the authors opine the inflations dampens economic growth which reduces infrastructural development.

4.5Challenges facing the assemblies in Mobilizing internally generated fund

Table 4.8 contains the results of the challenges faced by the assembly in mobilizing and utilizing internally generated fund. We employed Kendall's coefficient of Concordance. The Kendall Coefficient concordance value of 0.843, with P-value 0.000<0.05 is highly significant and the coefficient of 0.843 shows high level of agreement among the respondents that the items presented in Table 4.8 are challenges hindering revenue mobilization of the assembly as was suggested by Legendre (2005), that Kendall coefficient must at least has a value of 0.70 to confirm the strong level of agreement among the raters on a set of items.

From Table 4.8, inadequate linkage between the tax payment and the services was ranked first with mean value of 1.08 confirming that it is the topmost challenge hindering revenue mobilization of the assembly. For instance, payers of levies will shirk their payment if they do not find correlated improvement in infrastructure and personal development. One respondent said "we have been paying market to the assembly for several years yet waste has consumed us deterring people from buying our product". This is consistent with the report by a Joint Government of Ghana and Development Partner on Decentralisation Policy Review (2007) who identified lack of linkage between the tax payment and the services as one of the major challenge hindering revenue mobilization.

Table 4.11: Identifying and Ranking of the challenges

RANK	CHALLENGES	MEAN RANK
1	Inadequate linkage between the tax payment and the services	1.08
2	Weak rates payment	2.83
3	Lack of Enforcement of Payment of Property Rates	2.95
4	Poor Tracking of Economic Activities	3.75
5	Lack of education on tax responsibility	3.83
6	Lack of apparent political will	3.97
7	Weak Administration	4.04
8	Poor record keeping	4.17

Source: Field survey, (2018)

Also, weak rate payment was ranked second with mean score 2.83. People are mostly reluctant to pay their rate which affects many District Assemblies, basic rates are major component of local government internal revenue.so if people evade it, and it affects or weakens the local government efforts in promoting development. This is consistent with Fjeldstad and Semboja, (2000) who observed that the use of user fees has led to the spread of resistance to pay from the poorer segments of the urban population.

Lack of Enforcement of Payment of Property Rates was ranked third with a mean score of 2.95. Though the Ghana constitution identifies property rate as one of the many means the local government can decide to raise revenue locally. Due to the use of old method of mobilising property rates, property owners try to run from paying the rates. This has resulted to property rates being very costly to implement which is consistent with the work of Brosio, (2000).

Poor tracking of economic activities was ranked fourth with mean score of 3.75. The local government in Ghana is faced with the problem of many people and some small business organizations pursuing some ventures (economic activities) not paying their tax religiously. Some local government lacks the means to provide sufficient monitoring of economic activities in their area of jurisdiction. It has led to a problem of enterprises paying less as expected. This according to Devas and Kelly, (2001) has negatively affected district Assemblies tax revenues.

Lack of education on tax responsibility was ranked fifth with a mean score of 3.83. Just as with all revenue, education is fundamental in achieving efficient tax collection. Education on the reasons, methods, duties and rights related to the various types of tax should be communicated to the prospective tax payer. The Assembly's failure to bring together the people through improved bottom up budgeting and civic involvement (participating) has resulted in poor rates and levy payments.

Lack of apparent political will was ranked sixth with a mean score of 3.97. Most local politicians value their position to the development of the local economies; hence they fail to ensure compliance with local laws in terms of payment of levies when they are threatened of being voted out from their elected positions. This spans from assembly members, Member of Parliament among others. This makes it difficult to raise enough revenue from the locals for developmental projects.

Weak Administration and poor record keeping were ranked seventh and eighth with mean scores of 4.04 and 4.17 respectively. Weak institution combined with lack of will for compliance have led to less level of local revenue being collected on yearly bases. It is undeniable fact that local authorities have great advantage in improving internal revenue – especially from business registration and fees and funds as indicated by Schroeder, et al, (1998).

Also, lack of records with respect to economic activities is affecting the growth of the local area. Developing countries such as Ghana lack data on all economic activities found in their districts. For instance, many district assemblies do not have data on the number of drivers, seamstress, hawkers, farms, chop bars among others working in the district. This operates against efforts to better locally generated revenue in the local Assembles. These revenues when well taken from tax payers can give substantial and dependable revenues for district Assemblies. This made Painter (2005) to opine that effective and efficient internal revenue mobilization is a major priority to all district assemblies; it is however beset with numerous challenges. Attempts and efforts should be channelled towards its resolution.

Majority of the respondents charged the top management to make it a point in incorporating the views of the lower level staff, as they are on the ground in any policy they intend to formulate. This will help enhance and facilitate proper collection and mobilization of local revenue without hindrance as most of the inhabitants are illiterates.

Finally, the number of contract staff should be increased in order that the revenue stream can be adequate. They were of the belief that if this is done the Assembly can generate enough revenue that serve its needs and even pay the collectors without having necessarily to make those collectors permanent to further drain the already insufficient funds in the state coffers.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This is the final chapter of the thesis. It begins with the summary of key findings based on analysis in chapter four and conclusions. This is followed by policy recommendations based on the findings and the study contribution to the literature. We also put forward areas for future research.

5.2 Summary of findings

The overarching aim of the study is to examine the effect of internally generated fund and infrastructural development in the MMDAs in the Northern Region of Ghana. The study specifically examined whether there is significance difference between IGF of the MMDAs in the Northern Region and national IGF average, the effect of internally generated funds (IGF) on infrastructural development in the Northern Region of Ghana and to explore the challenges facing the MMDAs in the Northern Region in mobilizing and utilizing of internally generated funds (IGF). The study covered 28 MMDAs made up of 19 districts in addition to 8 municipal and 1 metropolitan districts. We used six variables made up of infrastructure development, internally generated fund, central government fund, donor fund, GDP per capita and inflation which measured macroeconomic instability for the period 2003 to 2016. The study employed descriptive research design with a sample size of 127 selected through purposive and simple random sampling to achieve the objective three.

Objective one: Identifying whether there is significance difference between IGF of the MMDAs in the Northern Region and national IGF average

This section analysed whether there is difference between the IGF of the MMDAs in the Northern Region of Ghana and that of the national IGF average for the period of five years between 2013 and 2017 and whether the difference is significant or not using one sample t-test. We found that there is difference in internally generated fund mobilization performance between the MMDAs in the Northern Region and that of the national internally generated average. The margin of difference increased from Ghc 1,964,157.33 in 2013 to Ghc6, 135, 409.06 in 2017 indicating that the MMDAs in the Northern Region of Ghana have failed to increase the internally generated funds at much faster pace compared to the national IGF average.

Objective Two: The effect of internally generated funds (IGF) on infrastructural development in the Northern Region of Ghana

We noticed that donor fund is second most volatile variable with CV of 2.695 with inflation which measures macroeconomic instability being the most volatile variable among the variables considered for the study. The Kurtosis and Skewness values indicated the variables under study were asymmetrical in nature. On correlation among the variables, we observed that, infrastructural development exhibit weak relationship with all exogenous variables including GDP per capita coefficients less than 0.5. On direction of association, infrastructural development has positive relationship with internally generated fund, central government fund, GDP per capita but negative relationship with donor fund and inflation. The application of Generalized Method of

Moments revealed that when internally generated fund is employed as the only independent variable, there is positive relationship between internally generated fund and infrastructural development, where $1 increase in internally generated fund increases infrastructural development by $1.161 which is significant at all conventional levels. The positive effect of internally generated fund is significant irrespective of the model specification. This indicates that the precise effect of internally generated fund on infrastructural development is not sensitive to the model specification. In terms of central government fund, result in Table 4.9 indicates that increase in central government fund improves infrastructure development. This finding is highly robust irrespective of the model choice, suggesting that increase in central government is crucial for infrastructural development.

Objective Three: Challenges facing the assemblies in mobilizing internally generated fund

The study employed Kendall's coefficient of concordance to identify and rank the challenges faced by the assembly in mobilizing revenue locally. The study finds out that inadequate linkage between the tax payment and the services, weak tax rate payment, lack of enforcement of payment of property rates, poor tracking of economic activities, lack of education on tax responsibility, lack of apparent political will, weak administration and poor record keeping are the challenges hindering revenue mobilization of the internally generated fund of the assemblies studied.

5.3 Conclusions

The study concludes that;

There is difference in internally generated fund mobilization performance between the MMDAs in the Northern Region and that of the national internally generated average with MMDAs in Northern Ghana performing below the national average.

There is positive relationship between internally generated fund and infrastructural development which is significant at all conventional levels. The positive effect of internally generated fund is significant irrespective of the model specification. This indicates that the precise effect of internally generated fund on infrastructural development is not sensitive to the model specification.

Inadequate linkage between the tax payment and the services, weak tax rate payment, lack of enforcement of payment of property rates, poor tracking of economic activities, lack of education on tax responsibility, lack of apparent political will, weak administration and poor record keeping are the challenges hindering revenue mobilization of the internally generated fund of the assemblies studied.

5.4 Recommendation

1. The study recommends the MMDAs to be creative and innovative to enhance the mobilization of internally generated fund to enhance infrastructural development which is critical for local economic growth.The MMDAs should focus on

collecting property as well as deploying technology to identify and track all tax or levies payers to ensure proper collection of the assembly revenue.

2. Government should channel more resources to less developed MMDAs to bridge the infrastructural gap of the more developed MMDAs in order to deal with the divergence effect as observed in the result.
3. Government through Ministry of Finance and Ministry of Local Government should assist the MMDAs to deal with the challenges hindering the MMDAs ability to mobilize more internal revenue.

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