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Challenges of Local Government Financing: The Case of SEFWI Wiawso Municipal Assembly

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Abstract:

Despite the important roles local governments play in the development process, they are faced with a number of challenges which hinders their smooth operations. The greatest among these challenges is financing. This study identified and discussed some key challenges faced by local governments in generating revenue internally for their operations. A case study approach was adopted to examine the sources of funding for local governments and issues and challenges that confront them. The Sefwi Wiawso Municipal Assembly (SWMA) was selected for this study. A purposive sampling technique was used where principal officers of the Sefwi Wiawso Municipal Assembly were selected and interviewed. The survey revealed that central government interventions are the lifeline of the SWMA as has been the case of almost all the District Assemblies in Ghana. It is therefore recommended that the assembly identifies innovative sources of funding to ensure diversification of their funding sources.

Keywords: Challenges, decentralisation, development, financing, socio-economic

1. Introduction

In May 1982, the Provisional National Defence Council (PNDC) Government of Ghana which had come into power following a successful “revolution” on 31st December, 1981 issued its first major policy document called the “PNDC Policy Guidelines”. In it, the Council stated two basic policy positions on local government and decentralisation: The urgent need for participatory democracy to ensure that the bane of remote government that had afflicted Ghanaians since independence is done away with effectively, to render governments truly responsive and accountable to the governed. The assumption of power by the people cannot be complete unless a truly decentralized government system is introduced, that is Central Government, in all manifestations, should empower Local Government Councils to initiate, coordinate, manage and execute policies in all matters affecting them within their localities (Ahwoi, 2010).

There has been a great variation in local governance in Ghana over time. Since the British colonized the Gold Coast, successive governments have grappled with how to build the power of local government while maintaining central government control. Approaches to local governance have ranged from manipulation through traditional authorities by the British to elections of local officials under Dr. Kwame Nkrumah’s government to the appointment of local government officials by both military and civilian governments. The current Fourth Republic came into existence in 1992 and is the longest period of uninterrupted civilian rule in Ghana’s history with an unprecedented emphasis on decentralization (Hoffman and Metzroth, 2010). The 1992 Constitution of Ghana’s Fourth Republic incorporated the laws on local governance passed during PNDC rule and it remains the foundation of the current system of decentralization. Ghana’s local government system comprises of:

- i. A four-tier Metropolitan Assemblies,
- ii. A three-tier Municipal and District Assemblies.

The membership of the District Assemblies consists 70% elected members and 30% appointed.

Financing the system is based on the following principles:

- i. Empowerment of the local government to levy and collect rates, fees and licenses;
- ii. Sharing of financial resources with central government;
- iii. Fundraising activities to attract donation/gifts; and
- iv. Funding through development partners.

Ideally, District Assemblies have three major sources of revenue: the District Assemblies' Common Fund (DACF), ceded revenue and Internally Generated Fund. The DACF which was established by Act 455 of 1993 is the main source, providing a constitutionally guaranteed minimum share of not less than 5% of government revenue. Currently, the DACF by law is 7.5% of nationally generated revenue that is shared among the 170 Metropolitan Municipal and District Assemblies (MMDAs) by a formula that changes slightly annually. The Administrator on yearly basis submits for Parliament's approval a formula for sharing the yearly allocation.

The Rationale is;

1. To ensure equitable distribution of development resources in every part of Ghana.
2. To make up development deficiencies in deprived communities.
3. To support creation and improvement of socio-economic infrastructure in Ghana.
4. Complement the internally generated funds of the Metropolitan/Municipal/District Assemblies to undertake development projects.

Generally IGF constitutes a little over 30% of total funds District Assemblies used to run local government activities they handle. As it is always the case when it comes to District Assemblies expenditures, the dominance of grants in funding activities varies over time and across districts. Of greater interest is the extent to which local Authorities finance their operations without being over reliant on the interventions from the central government like the District Assemblies Common Fund and how adequate their own revenue raising powers are. The challenge facing local governments in Ghana and most developing countries is for them to emerge as valuable force to effect development so as to improve the living conditions of the people in their catchment areas or communities. The need for local governments to raise funds internally is therefore necessary for the survival and development of the local people. This is because local governments require a substantial amount of funds and other resources to successfully carry out their developmental activities

2. Literature Review

2.1. Definition and Concept of Local Government

The challenge of meeting the Millennium Development Goals (MDGs) is placing an increasing emphasis on local government all over the world as the delivery agent for key basic services including: water, sanitation, primary health care, housing, economic and community development. Ideally, Local Governments are locally established bodies tasked with specific functions in a particular geographic area. Their operations are limited to the catchment areas in which they operate and as such cannot go beyond their territory. The Business Dictionary defines local government as "an administrative body for a small geographic area, such as a city, town, county or state. A local government will typically only have control over their specific geographical region, and cannot pass or enforce laws that will affect a wider area. Local governments can elect officials, enact taxes, and do many other things that a national government would do, just on a smaller scale". In the view Stones (1964), Local Governments are that part of the government of a country which deals with those matters which concerns people living in a particular locality. He includes those things which parliament considers being of national interest but which has been decided to be administered by local bodies under the control of the Central Government. Dukhira (1995) also defines local government to mean the administration of the affairs of a local, or a specific area, within a country. In totality local governments can be seen as full-fledged government possessing sovereignty to make whatever decisions, policies and regulations desired locally without any control by any government or rigidly supervised by the central government.

2.2. The Legal and Policy Framework of Local Government and Decentralisation in Ghana

Ghana's decentralisation system is backed by the 1992 Constitution (Act 240). The formulation of a far-reaching process of decentralization in Ghana gained political prominence in the late 1980s, with the conclusion of studies combining local government reform efforts with political processes of mobilization and democratic representation. Crucial to this was the enactment of Local Government Law 207 in 1988, underpinned by a document labelled the "Blue Book", which was used as the basis of discussion with various sections of the population regarding the essential features of decentralization in Ghana. The overarching principles underlying the current architecture of decentralization can be said to take root from the 1988 provisions of the Local Government Law (Decentralisation Policy Review Final Report 2007).

The architecture of decentralisation envisaged by the promoters of this initial effort informed the framing of the forth Republican Constitution which, in its Chapter 20 stipulates that Ghana shall have "...a system of local government and administration which shall, as far as practicable, be decentralized," and in Article 35 (6d) requires the state "to make democracy a reality by decentralizing the administrative and financial machinery of government to the regions and districts and by affording all possible opportunities to people to participate in decision-making at every level in national life and government." These provisions and others have been given further impetus by the:

1. Local Government Act, 1993,
2. National Development Planning (System) Act 479 of 1994
3. National Development Planning Commission Act 480 of 1994
4. District Assemblies' Common Fund Act 455 of 1993
5. Local Government (District Tender Boards) Establishment Regulations
6. Local Government Service Act 656 of 2003,
7. Institute of Local Government Studies Act 647 of 2003.

2.3. Challenges Facing Local Government in Ghana

Like any other organisation or institution, local government institutions are expected to perform some functions as a way of responding to the needs of the local people. A lot of problems have afflicted local government institutions in Ghana. These problems have been with local government institutions since the commencement of the decentralisation programmes in Ghana. The biggest challenge is apathy which hovers around four major areas and they are: Financial constraints; Structural difficulties; Personnel and attitudinal problems and Logistical difficulties.

Local governments are supposed to champion the cause of development but unfortunately there is a state of apathy towards the local government system in Ghana. Apathy is a state of dissatisfaction. In the view of Siriboe "Local Government in Ghana is at present in a state of chaos; the reputation of local authorities has reached its nadir in spite of the excellent proposal for the reform of the system. Local administration is associated in the public mind rightly or wrongly with financial irregularities, incompetence, nepotism and waste and there is understandably a strong body of opinion in favour of the total abolition of local government". Dissatisfaction of the local people with the services provided by their local authorities and the inability of the authorities to understand and satisfy the needs of the people, which have produced in many places a state of apathy in Ghana's local government system. Brittain also asserts that "It is obvious that the efficiency of the permanent administrative staff depends largely on the quality and efficiency of the elected council and that the quality and efficiency of councils depends, in the last analysis, on the quality and efficiency of voters. In many urban municipalities, less than half of the qualified voters actually cast their votes".

The causes of this apathy are:

2.3.1. Financial Constraints

Financial constraint is the single catchiest aspect of local government challenges in Ghana. According to the Siriboe report, "the Auditor General's report on the accounts of councils is lamentable catalogue of ineptitude, incompetence and fraud on the part of councillors and some local authority officials. Accounts of many officials were improperly kept because of irregularities in the appointment of staff. In many cases, the accounts books could not be balanced and trial balances could not be prepared". From 1989 to 1998, the Auditor General's report showed that ₵446.5 billion could not be accounted for by the assemblies. The reports cite inadequate internal controls, misappropriation, non-delivery of goods paid for and irregularities in the award of contracts as core problems (Asibuo, 1999).

2.3.2. Structural Difficulties

Structural difficulties have been one of the main causes of apathy in Ghana's Local Government system. Haggins (1986) asserts that structures and processes can tolerate, encourage or discourage participation by individuals and groups. For instance, open decision making can encourage more participation and interest while closed decisions can create apathy. For example, the councils created in 1951 were too small for effective administration because they were rushed into being as direct successors to the former native authorities. In 1962 as a result of political pressure by Regional Commissioners and other functionaries of the Convention Peoples Party (CPP) the number of councils was increased to 155 without taking into account the need to have units which would be economically viable and geographically convenient. This problem was further illustrated by the establishment of as many as 183 local and urban councils in 1965. This problem creates a lot of difficulties for local governments.

2.3.3. Personnel And Attitudinal Problems

These related mainly to the: physical absence of the original decentralised departments in all the Municipals as established by Act 462; poor quality staff at the Municipal level; still centralised character of the departments required to decentralize; lasting allegiance of the staff at the Municipal level to their regional and national headquarters; operation in isolation of the decentralised departments; refusal or reluctance of some staff to accept postings to some Municipals, particularly the deprived ones. Notwithstanding the above, all the Municipals now have more than half of the original number of departments required. The mergers and amalgamations of departments envisaged under Act 462 will accelerate the processes of their establishment.

2.3.4. Logistical Problems

There have been inadequate office and residential accommodation in some of the Municipals, especially in the newly created ones. There was also the problem of inadequate working tools and equipment in the form of computers, duplicating machines, filing cabinets, safes and furniture. Vehicles have also been a problem considering the nature of most of our roads especially in deprived Municipals. Although some of these have been addressed, it still remains a trouble spot for local governments in Ghana.

2.4. Local Government Financing

Financing has been a major challenge to most organisations and institutions throughout Ghana and Municipal Assemblies cannot be left out. Local government financing has become increasingly controversial in recent years because of conflicting pressures and interest of numerous stakeholders. Local government financing is about the revenue and expenditure decisions of local governments. It covers the sources of revenue that are used by local governments which includes ways of financing infrastructure through the use of operating revenues and borrowing as well as charges on developers and public-private partnerships. Local government financing also addresses issues around expenditures at the local level and the accountability for expenditure and revenue decisions, including the local budgetary process and financial management.

Several studies have empirically tested the effect that central government transfers and grants have on locally raised revenues. Zhuravskaya (2000) establishes a crowding-out effect in a transitional country (Russia), where each monetary unit raised its own revenues by a local government is offset by a reduction by 0.9 units in revenue sources from the higher-tier government, which strongly implies that local governments will have nearly no incentive to exert any tax-generating effort when transfers increase. Similar findings of reductions of locally raised revenue being greater than the grants that induce them emerge in one of the few studies of a developing country context, Rajaraman and Vasishta (2000) in their analysis of data from Kerala, India. Buettner and Wildasin (2006) take an integrated approach in which all interrelationships between various local public finance variables - general expenditure, debt service expenditure, intergovernmental grants, and own revenues - are assessed, with minimal imposition of structure on the empirical model. They find that the adjustment of local governments to an increase in external grants results in reduced subsequent own revenue generation.

The issue of financing in local governance cannot be overlooked and that is exactly what Sachs (2005) had in mind as a contribution to the Cities Alliance Annual Report when he said

“It is a paradox that the lowest level of government increasingly has to provide the most comprehensive response to the most complex developmental challenges. Yet the policy-making process and institutional arrangements are often deeply flawed. To meet these challenges, cities need to be transformed from passive service providers to more proactive facilitators of infrastructure and services. However, this transformation cannot occur without imparting real authority, responsibility and resources to local government through a process of empowerment. A vital component of this is strengthening the city’s ability to raise resources, create and maintain infrastructure and pay for these costs over time”.

Chapter 20 of the 1992 Fourth Republican Constitution of Ghana states in Article 240(2)c, that there shall be established for each local government unit a sound financial base with adequate and reliable revenue, and Article 252(1) defined the Municipal Assemblies Common Fund, its basis, and its operations. The Constitution also states in Article 252(2) categorically that: ‘subject to the provisions of this constitution, Parliament shall annually make provision for the allocation of not less than five per cent of the total revenues of Ghana to the Municipal assemblies for development. This is followed up by the Local Government Act 462 (1993), which includes a number of important clauses on local government finance, particularly on the ten categories of Internally Generated Funds (IGFs), the borrowing framework, the financial management system and the Municipal Assemblies Common Fund (DACF).

The Sixth Schedule (Section 86) of the Local Government Act 462, 1993, spells out the Revenue of Local Government bodies in Ghana. Revenue from these sources is described as Internally Generated Funds. These includes but not limited to:

1. Income Tax (Registration of Trade, Business, Profession or Vocation) Law, 1986 (PNDCL 1560);
2. Entertainment Duty under the Entertainment Duty Act, 1962 (Act 150);
3. Casino Revenue under the Casino Revenue Tax Decree, 1973 (NRCD 200);
4. Betting Tax under the Betting Tax Act, 1965 (Act 268);
5. Gambling Tax under Gambling Machines Decree, 1973 (NRCD 174);
6. Rates and Levies: levies on crops other than cocoa, coffee, cotton and sheanuts.
7. Fees, licenses, and taxes.

3. Methodology

The study adopted a qualitative research approach. Qualitative research seeks to understand a given research problem or topic from the perspectives of the population it involves. A case study strategy was adopted. Case study is considered appropriate when little is known about the phenomenon, or unseen findings in a previous study suggest a need for a new perspective. This affirms the choice of the case study approach. This approach provides detailed and extensive data on the subject of the study. Non-probability sampling technique was adopted for this research. Purposive sampling technique was used for the purposes of addressing the study objectives. With this technique, the selections were made to meet the specific purposes or objectives of the research. It was used to ensure that right respondents were selected for the study. The principal officers of the Assembly like the Municipal Coordinating Director, Municipal Finance Officer; the Municipal Budget Officer, the Chief Local Government Inspector and the Municipal Planning Officer and others were selected. According to Streubert and Carpenter (1999), data analysis begins with listening to participants’ verbal descriptions, and is followed by reading and re-reading the verbatim transcriptions or written responses. The primary data collected from the respondents was organized, summarized, edited and presented along the thematic areas. The output was information on challenges facing the Sefwi Wiawso Municipal Assembly.

4. Findings

The data analysed were obtained from both primary (field study) and secondary sources. Issues such as sources of funding, methods employed in mobilising revenue and the challenges that beset the Sefwi Wiawso Municipal Assembly in mobilising revenue for their operations are all covered.

5. Sources of Funds

The sources of revenue to the Sefwi Wiawso Municipal Assembly (SWMA) can be grouped mainly into two, namely Internally Generated Funds (IGFs) and Central Government Interventions / grants. The IGFs are made up of: **Licenses** for several activities such as Hawking, Hotels and restaurants, Beer and wine sellers, Taxi cabs, Taxi drivers (driving license), Birth and deaths etc; **Fees** which includes Cattle ponds, Slaughter house, Market dues, Market stalls/stores, Lorry park dues, Advertisements, Trading kiosks, etc and

revenue generated from Taxes chargeable on the income of self-employed persons in the district such as : Tailors and dressmakers, Radio and television repairers, Carpenters and Woodworkers, Spare parts dealers, Chemical sellers, and traders in general.

The government interventions / grants to this district also include the District Assemblies Common Fund (DACF), School Feeding grants, Capitation grant, District Development Facility (DDF) and others. The survey revealed that about 70% of the district's operations are financed by government interventions. Despite the huge reliance on central government grants, this source is still considered unreliable mainly due to the time and the quantum remitted at a time.

YEAR	SOURCES	BUDGETED	ACTUAL
2013	IGFs	400,000	454,189
	Central Government Interventions	2,500,000	2,200,000
2012	IGFs	570,000	344,600
	Central Government Interventions	1,700,000	500,000

Table 1: Sources of funding for the SWMA

Source: Field Survey, 2014

From table 1 above, about 83% of the Assembly's operations in 2013 were financed by interventions or grants from the central government which meant that the assembly was able to raise only about 17% internally. On the issue of IGFs, the survey revealed that the SWMA was able to realise about GH¢454,000 in the year 2013 and the major contributing sources were identified as property rates, market tolls, lorry park fees, licences, rents and stool lands. In an assessment of the challenges associated with the central government grants, the IGFs can be seen as more reliable because the little effort by the revenue office can generate that revenue from these sources.

SOURCES	YEAR	
	2012	2013
Property Rates	57,185	63,000
Market tolls	22,846	23,400
Lorry park fees	6,200	8,800
licences	12,200	10,100
Rents	6,000	4,200
Stool lands	100,000	55,000

Table 2: Major sources of IGFs for the SWMA in Ghana Cedis (GH¢)

Source: Field Survey, 2014

From the survey it was disclosed that central government interventions are the lifeline of the SWMA as has been the case of almost all the District Assemblies in Ghana. It is a fact that if there were no central government interventions, survival was going to be difficult for the SWMA. Nevertheless, it was revealed that central government interventions had tremendous limitations and restrictions that sometimes challenged the local initiatives of the SWMA. Almost all central government interventions to the SWMA carry restrictions on the types of expenses that they may cover which may either be supportive to the assembly's operations or otherwise. The onus therefore lies on the assembly to streamline its activities in order to generate more revenue internally to free itself of some of these conditional ties from the central government. The main methods employed in generating revenue internally in the SWM are: door to door collection and voluntary or walk-in payments. Infact the most frequent method adopted by the SWMA is the door to door method where revenue collectors are dispatched to collect revenue from the taxpayers. A respondent noted that: "the voluntary payments which is encouraged by the assembly is often embarked upon by only a few number of people because the inhabitants are naturally hesitant at paying taxes as it occurs all around the world especially in Africa".

5.1. Challenges Encountered by the Assembly in Revenue Generation

The SWMA has not been able to internally raise even 30% of its estimated revenue annually due to some of these widely acclaimed operational challenges. The most influential ones are:

5.1.1. Low Income Levels

The Sefwi Wiawso Municipal (SWM) is a predominantly rural economy, with agriculture and its ancillary activities being the main live stay of the people. Agriculture employs 78% of the active population and because majority of the economically active population of the SWM are engaged in agriculture and agriculturally related activities, industrial and commercial activities is very low. An interviewee had this to share

they are mostly farmers who produce cocoa, coffee and foodcrops. In view of that the production process in the SWM in the agricultural sector is traditional and labour intensive. This makes the production process inefficient, ineffective and unsustainable therefore the inhabitants find it difficult to pay the required taxes or levies".

The effect of the agrarian nature of economic activities in the SWM results in low levels of productivity which leads to low living standards as a result of the low income levels.

5.1.2. Low Capacity of the Assembly

This is due to the fact that the assemblies do not have enough revenue collectors considering the catchment area of the assembly and the method employed. Drawing strength from the hesitant nature of taxpayers, a lot of revenue collectors have to be dispatched to market centres and other areas where revenue can be generated in order to achieve revenue targets.

5.1.3. Narrow Tax Net

A good tax base provides a good tax rate and high tax revenue to every district assembly. Any inadequacy in the tax base affects the tax net and therefore refuses to capture all qualified taxpayers thereby reducing the revenue accruing from these taxes. An confirmed stated that

“Majority of the economic activities in the SWM are informal in nature and therefore any failure to capture all these people will reduce the tax revenue accruing to the assembly“.

The tax base of the SWM is very weak and as a matter of fact affects the revenue generated annually in the district. Most of the traders are not captured meaning they do not contribute anything to the assembly.

5.1.4. Logistical Difficulties

Apart from the personnel who are not there in their numbers, the Assembly also face logistical difficulties. A respondent had this to share

“the assembly cannot even boast of a revenue mobilization van and sometimes and will have to fall on public transport to undertake their revenue mobilization activities“.

The Assembly also lacks other office equipments which can aid the smooth revenue generation operations.

5.1.5. Lack of Voluntary Compliance

Most of the inhabitants fail to comply with taxes or fees fixed by the assembly. This calls for multiple efforts before revenue could be generated.

5.1.6. High Illiteracy Rate

Most of the rural folks are illiterates and so do not understand the rationale behind taxation and so will do their possible best to resist tax officials. Most of the inhabitants believe that their plights have not been addressed and therefore see no reason why they should pay any tax to the assembly. A respondent retorted:

“virtually every developmental activity is alluded to the central government just because they are ignorant of the local governance system. Others also believe that they are not part of the structure and so have no business with the assembly”.

Most of them also resist because they believe the rates are too high for them despite the several consultations before arriving at that rate.

5.1.7. Hesitation on the Part of Elected Assembly Members to Impose Fresh Taxes

Most elected Assembly members will naturally hesitate to impose fresh taxes because it has the tendency of making them unpopular. Therefore as a way of maintaining their seats, they try to entice voters with the existing taxes some of which might not be generating any handsome amount to the assembly. Over the years the SWM has suffered greatly as a result of this to the extent that some of the sub district structures which could generate revenue are not functioning properly.

6. Conclusions

The SWMA is expected to provide social amenities like water, sanitation, health, education and others. They have over the years demonstrated the capacity of doing more with the needed support. However, funding for effective implementation of developmental projects is inadequate. The onus therefore lies on the SWMA to generate the required revenue to provide these facilities and services for the betterment of its inhabitants. Giving the expected roles local governments have to play in the development of their catchment areas, there is the need for effective collaboration to ensure that the development ascribed for will be a reality.

In Ghana, a substantial share of their revenues is made up of transfers from upper tiers of government or from donors, and these funds tend to be tied to particular activities, projects, or sectors. This supports the view of Tewodaj, Benin and Cudjoe (2011) local fiscal discretion of District Assemblies is highly restricted in the sense that local authorities may have relatively little control even over their own budgets. In light of the attention in the fiscal decentralization policy debate that is given to increasing local fiscal autonomy, the framework for the allocation of intergovernmental transfers and donor funds to the DAs gives some consideration to incentives for own revenue generation.

Arguments for decentralization rest strongly on the assumption that the fiscal aspect of decentralization in fact results in local governments gaining substantial discretion in allocating public resources to competing economic uses in their jurisdictions. As suggested by Tewodaj et al., (2011), the most important part of the policy debate around decentralization concerns the question of how local governments can expand their fiscal autonomy by increasing their IGFs and realize the hypothesized equity and efficiency gains in the local provision of public services. In Ghana, there are a range of potential constraints affecting the ability of district assemblies

to expand their IGF. These may include the scope of local governments' revenue assignments, revenue collection capacity, discretion in setting rates on their tax and fee bases, and enforcement of honest revenue-collection practices.

From the survey also, it can be said that the presence of central government interventions is a key contributing factor to the non performance of local governments as has been proven by several empirical studies. The fact is that when a central government becomes the backbone of local governments, they tend to forget that they are also required to generate some revenue themselves. In a study of Russia, Zhuravskaya (2000) establishes a crowding-out effect in a transitional country (Russia), where each monetary unit raised in own revenues by a local government is offset by a reduction by 0.9 units in revenue sources from the higher-tier government, which strongly implies that local governments will have nearly no incentive to exert any tax-generating effort when transfers increase. Internally Generated Funds can also be affected by several factors other than intergovernmental grants. These include other fiscal variables, such as tax limitation measures imposed by higher-tier government (Skidmore, 1999), and pressures exerted by local expenditures on subsequent local revenue raising (Buettner and Wildasin 2006; Holtz-Eakin et al. 1989; de Mello 2002). All these factors are present in the Sefwi Wiawso Municipal Assembly and therefore accounts for the low performance of the Assembly in terms of raising internal funds.

Natural, socioeconomic, and demographic factors in the jurisdiction of the local authorities are additional potential determinants of IGFs, especially factors that determine the tax revenue base and the capacity of the local government to collect taxes. It is therefore important for the district to assess its performance and factors that hinder them from raising enough funds internally and ensure effective collaboration between them and the public. The SWMA should try as much as possible to develop more alternative sources in order to generate adequate funds internally to limit the over dependency on central government funding which is increasingly becoming unreliable and complicated.

7. Recommendations

The recommendations that are put forward in the study are based on the data analysed and interaction with officials of the SWMA. This is an attempt to encourage district assemblies in Ghana especially the SWMA to fill up the gaps so that they can raise more revenue internally to finance their operations in a much more effective way. It is therefore recommended that the only way to become independent in spending is to raise more funds internally. This is the source where local governments have substantial control over with no strings attached. Local governments' needs substantial discretion to allocate resources according to local preferences and priorities and this can be achieved with the help of IGFs. Over dependence on central government funding leads to a loss in local autonomy with local initiatives undermined. IGFs can be enhanced by taking a critical look at the underlisted recommendations.

Local governments need to be innovative in identifying new sources of local funds. Services that are not attractive to the private sector but for which profits can be derived through public charges of fees can be provided to enhance the revenue generation sources. This will lead to diversification. Diversification here means securing funds from as wide a base as possible – multiple revenue sources – and not just from existing sources. This will ensure availability of unrestricted funds.

In this era of globalisation, the absence of an effective IT system for managing revenue collection is ultimately a constraint to improving the quantum of internally generated funds. An effective automation of revenue collection will dramatically improve overall operations of the assembly. Such a step has been undertaken by other assemblies and an example is the Accra Metropolitan Assembly. Although this effort is capital intensive and requires some huge capital outlay it has a lasting benefit to the assembly and can even reduce the operational cost of the assembly in generating revenue internally.

Another way of addressing some of the problems in the assembly is by forging strong partnership with individuals, groups and firms to provide services on behalf of the assembly. This is because some projects are capital intensive but are needed by the inhabitants. Firms and individuals can develop projects, operate and later transfer the ownership to the assembly after some time when the start-up capital has been recouped. In some cases too, incentives can be provided for firms to provide certain services even those which are not more profitable to private firms. The SWMA for example can form partnerships with firms in the area of Information Communication Technology (ICT) which is lacking in the district. As a matter of fact PPPs have been tried and tested by most DAs and other public institutions as a reliable way or method of providing services needed by people but which cannot be provided by that institution because of financial constraints.

Transparency and accountability are important pillars which should be upheld at the local level. District Assemblies have to be transparent and accountable in their expenditure. This can be done by preparing fiscal maps, defining clear roles and responsibilities and enforcing expenditure control mechanisms in order to limit wastes in the funds generated by assembly.

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