



# **The District Assembly Common Fund and Fiscal Decentralisation: What is the Impact on Local Development in Ghana?**

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### **Author's contribution**

*The sole author designed, analysed, interpreted and prepared the manuscript.*

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## **ABSTRACT**

Local governments have been created as agents of local development in which the people in the local areas are given greater opportunities to influence policies and programs that directly affect their well-being and thereby reducing their poverty levels. But the implementation of the policies and programmes is bedeviled with many problems. Key among them is the issue of financing the local development projects in order to reduce rural poverty. The government of Ghana attempted to reduce this problem when it introduced a development fund in 1994 known as the – District Assemblies Common Fund (DACF) to encourage local governance and deepen Government's commitment to decentralization in general and fiscal devolution in particular. The study therefore, seeks to assess the impact of District Assembly Common Fund on Local Government Development in the Adaklu District Assembly in the Volta Region of Ghana. The study mainly adopted qualitative methods of research to obtain information on the experiences of the poor people in the Adaklu communities selected as study areas. Interview guides were used to obtain information from the people in the communities, staff of the Assembly and some heads of the decentralized departments. A major finding of the study is that the assembly did not involve the rural people in the poverty reduction programmes in the district.

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## 1. INTRODUCTION

Local governments have been created as agents of local development in which the people in the local areas are given greater opportunities to influence policies and programs that directly affect their well-being and thereby reducing poverty levels in these communities. As a result, governments in sub-Saharan Africa have embraced decentralization as a strategy that will bring service delivery closer to consumers and improve the responsiveness of the central government to public demands [1-3]. This was to reduce poverty by improving the deficiency and quality of public services and empower local units to feel more involved and in control.

However, due to budgetary constraints, African countries have not been able to provide enough financial resources to match with their new responsibilities. Therefore, they have been implementing more of political and administrative decentralization [4-6]. The inability of successive governments to ensure efficient financing of the local development has increased poverty in the rural areas [7]. Against this backdrop, the government of Ghana attempted to reduce this problem when it introduced a development fund in 1994 known as the – District Assemblies Common Fund (DACF) to encourage local governance and deepen Government's commitment to decentralization in general and fiscal devolution in particular. The fund, which was established in 1994 under DACF Act, (Act 455), 1993 is a pool of resources that required Parliament to make provision for annual allocations of not less than 5 per cent of the total tax revenue to be set aside for sharing among all the district assemblies for development. The fund is to strengthen the Assemblies in order to ensure effective discharge of statutory functions and development fund for use to the benefit of all Ghanaians. This has been increased to 7.5 per cent beginning from the 2008 fiscal year. The amount is paid into the District Assemblies' Common Fund in quarterly installments. Over the last decade this enabled governments to transfer funds from its coffers for local development and poverty reduction. The disbursement and consequent utilization of the fund which commenced in 1994 has greatly enhanced effort of the government to reduce poverty in the local areas. The operation of the fund over the last decade in the country has witnessed several development projects being executed to raise the

social-economic status of the people in the rural areas. These include health and sanitation facilities, educational facilities such as classroom blocks, scholarships for needy pupils and students, provision of clean water, electricity, markets, street lights among others [8-10].

However, the general assessment of the fund is that it has not been properly utilized and managed to more projects and programme to reduce the poverty levels in the rural areas (Ayee, 1995). This is important therefore, the focus of study. The study therefore seeks to assess the impact of District Assembly Common Fund on Local Government Development in the Adaklu District Assembly in the Volta Region of Ghana. The objective of the study is to assess the impact of District Assembly Common Fund (DACF) on Local Government Development in the district.

### 1.1 Local Government Administration in Ghana

The current decentralisation programme of Ghana was implemented in 1988 with local authorities (Assemblies) obtaining decentralized functions. The decentralization programme as enshrined in the 1992 Constitution and the new Local Governance Act, 2016, Act 936 seeks to achieve the following: a) transfer real power to the Assemblies and reduce the workload on under-resourced officers who are remote from the center b) restructure the allocation of resources and reassign functions and responsibilities into three levels of government (national, regional and district) to promote efficiency of management c) bring political and administrative control over services to the point of delivery in order to improve accountability and efficiency d) free local managers from central constraints and allow them to develop organizational structures tailored to suit local circumstances e) improve financial accountability by establishing a clear link between the payment of taxes and provision of services f) improve local council capacities to plan, finance and manage service delivery to their constituents and g) integrate central and local government units and functions at the district level into the District Assembly system [11-13].

Local governments are expected to promote popular or grassroots participation in the administration of the various areas of government policies such as planning,

implementation, monitoring and delivery of services through the Area/Zonal Councils and the Unit Committees. The local government structure is made up of a Regional Coordinating Council and a four-tier Metropolitan and three-tier Municipal/District Assemblies. Regional Coordinating Councils (RCCs) have been established for each of the sixteen (16) regions of Ghana. The RCC is an administrative and coordinating rather than a political and policy-making body. The functions of the RCCs include monitor, co-ordinate and evaluate the performance of the District Assemblies in the region, monitor the use of all funds allocated to the District Assemblies by any agency of the central government, review and co-ordinated public services generally in the region, and perform such other functions as may be assigned to it by or under any enactment [14].

Local governments in Ghana are labeled as Assemblies and have been termed "Metropolitan" (population over 250,000), Municipal (one-town Assemblies with population over 95,000) or District Assemblies (population of 5,000 and over). An Assembly is the pivot of administrative and development decision making in the district and the basic unit of government administration. It has the responsibility of government at the local level to bring about integration of political, administrative and development support needed to achieve a more equitable allocation of power, wealth and geographically dispersed development. It also constitutes the planning and budgeting authority for the district.

The Local Governance Act, Act 936 Section 5(1) states that a District Assembly shall consist of the following members: a) District Chief Executive (DCE); The subsection 3 of Article 55 of the 1992 Constitution grant power to the President of the country to appoint all DCEs, with the prior approval of not less than two-thirds majority of members of the Assembly present and voting at the meeting b) one person from each electoral area within the district elected by universal adult suffrage in accordance with regulations made for the purpose by the Electoral Commission c) presiding member who shall be elected by the Assembly from among its members d) members or members of parliament of the constituencies that fall within the area of authority of the District Assembly (the MPs serve as ex-officio members of the Assembly and have no voting rights) e) other members that shall not exceed thirty percent of the total membership of the District Assembly appointed by the President

in consultation with the traditional authorities and other interest groups in the district [15-17].

Section 5(5) of the Act 936 provides for the Office of the District Coordinating Director who shall be the Secretary to the District Assembly. Policies, programmes and regulations (by-laws) are formulated through the Executive Committee and approved at meetings of the General Assembly for implementation by the departments of the Assembly and in partnership with identifiable stakeholders, citizens groups and the sub-structures.

The District Assembly as stated by the Local Governance Act, 2016 (Act 936) Section 12 (1) is supposed to perform the following functions: a) exercise political and administrative authority in the district b) promote local economic development c) provide guidance, give direction to and supervise other administrative authorities in the district as may be prescribed by law. In addition, Act 936 provides the District Assemblies with deliberative, legislative and executive functions.

The District Assembly Common Fund was established in 1994 to make resources available to district assemblies to facilitate political and administrative processes for poverty reduction. The District Assemblies Common Fund 1993, Act 455 states that there shall be a fund to be known as the "District Assemblies Common Fund". According to the Act the Fund shall consist of all monies allocated by Parliament and any interests and dividends accruing from investments of monies from the common fund. The monies accruing to the DAs on the basis of a formula approved by Parliament and that the allocation shall be paid in quarterly instalments. Parliament shall annually allocate not less than five per cent of the total revenue of Ghana to the DAs through the Common Fund for development (The Constitution of the Fourth Republic, 1992).

Five criteria have been devised in respect of sharing this amount among the District Assemblies. These includes the need to: - redress existing imbalances in development; motivate and encourage District Assemblies to mobilize resources for addressing environmental degradation caused by pressures on existing services as a result services as a result of increased population; and cater for unforeseen developments. The weights assigned to each factor as follows: the need factor 35%; Equalization 30%; Responsiveness factor 20%;

Services pressure 10% and contingency factor 5%, which is used to cater for unforeseen developments in the districts and the MPs' allocations [18].

The general assessment has been that District Assembly Common Fund has been utilized by the District Assemblies for social infrastructural projects such as classroom blocks, clinics, provision of water and sanitation facilities, credit support and facilities for good governance [18]. Even though these social infrastructures are necessary in poverty reduction efforts, they are not sufficient to improve the overall livelihoods of the local communities in the districts [19]. As a result the District Assemblies have been directed to spend 20 per cent of the Common Fund allocations on income generating ventures to improve incomes of the local population.

## **2. METHODS AND TECHNIQUES OF DATA COLLECTION**

The study is qualitative and used both primary and secondary data. Primary data was collected through semi-structured interviews. A total of 20 key informants were purposively selected from the entire geographical locations of the Adaklu District in the Volta Region of Ghana. The Adaklu district was established by a Legislative Instrument (L.I.) 2076 in the year 2012. The capital of the district is located at Waya. It was carved from the Adaklu-Anyigbe district in order to spearhead the effectiveness of local governance and decentralization policies which aimed at poverty alleviation. The district has over seventy-two communities and is characterized by low level of education, poor infrastructure, poor housing facilities, and high rate unemployment, poor road network and limited access to good health delivery system. The district is primarily rural with over 75% of the communities having population less than 75,000 (Ghana Statistical Service, 2014). In the area of education, the district has three Senior High Schools; one located at Waya and one at Tsrekpe and one currently under construction (Mahama E-block) located at Abuadi and not all the communities have basic education up to Junior High School level. In fact, the district lack economic activities from which the people could earn income on a sustainable basis.

The primary data were collected through interviews conducted with sampled respondents. This design is chosen because of the size of targeted population which requires the use of

qualitative method. The view and issues presented by the officials can be used qualitatively to generalize the issues that will probe up from the disbursement of DACF in the district local development. This will enable the researcher to collect, present, interpret, discuss and analyze the data very well and also arrive at factual findings and provide valid and reliable recommendations.

The interviewees considered in the study included local politicians such as Assembly members, Opinion Leaders, District Chief Executive, District Coordinating Director and other Head of Decentralized Departments, who expressed their view on the impact of DACF on local Government Development in the district. The secondary sources involved extensive review of documents of Adaklu District Assembly, Reports of the DACF, Journals, Bulletins and library books. Content analysis method was used in analyzing the data collected from the respondents in the various decentralized department, assembly members and opinion leaders of the district and secondary documentary sources used. This method made the qualitative analysis easier, valid and reliable.

## **3. RESULTS AND DISCUSSION**

This section summarises the opinions of the respondents on the effectiveness of Fiscal Decentralization Policy in alleviating poverty in the district on the various themes as explained below:

### **3.1 Community Involvement in Project Undertaken**

The assembly did not involve the people in the rural areas in several poverty reduction projects and programs. The respondents did not have prior knowledge about most of the projects before they were provided. Communities are best placed to determine their own priorities and implement programs seeking to improve their wellbeing and security in a sustainable way.

Invariably, the rural communities were not involved in the selection and approval of most projects undertaken by the assembly. Interestingly most of such projects were not being patronized by the people. Thus among other things the communities were not consulted before such projects were provided. This phenomenon was a common practice in the rural communities.

The study has shown that the contract award process for common fund projects was not transparent. Besides the contract sums or cost of projects were identified as prohibitively high, which the planning officer confirmed. Finally the delay by the central government in the release of the fund has affected the assembly's poverty reduction efforts since projects were not completed on schedule.

### **3.2 District Assembly Relationship with Central Government**

It was observed from the study that development projects were largely funded from the common fund. In this view the assembly faces financial problems as it finds it difficult to raise substantial funds from its internal sources due to the poverty levels of the people. Besides, absence of reliable data, obsolete method of valuation of immovable property and inadequate supervision and monitoring of revenue collectors have been identified as factors hindering its revenue mobilization performance. The position of the common fund law, which does not allow money from the district assemblies common fund to be applied to pay allowances of the assembly members has resulted in the inability of the assembly to organize regular meetings as the assembly does not know where to look for money to pay for these allowances. This leaves the bulk of the work and major decisions to be taken by the Executive Committee or the District Chief Executive. Finally, the assembly spends over 90 percent of its internally generated revenue on recurrent expenditure leaving less than 10 percent for development projects.

The study observed that the central government retains major fiscal decisions of the Assembly. The deductions and influences regarding the utilization of the Assembly's share of the common fund always affect its development agenda. Such deductions have deprived the district of a lot of development project.

Most projects provided in the district under the common fund were not monitored as it should in order to appraise them. The study has revealed that the Assembly relied on the assembly members and artisans of project areas to monitor projects and sent reports to the Assembly. It was however, observed that the assembly members and the local artisans did not have the capacity to monitor and evaluate development projects. The result is that common fund projects have fast deteriorated forcing the Assembly to use its

meager resources to maintain them after one to two years of their commissioning.

The capacity of both the staff and members of the assembly is low and this affects the responsiveness to deliver quality services to the people. The assembly had not been able to organize regular training and capacity building workshops to sharpen their skills and also update their knowledge in the performance of their functions. Even though every year the government and the assembly deduct monies from the common fund allocations for training and capacity building workshops for staff and members of the assembly, they hardly receive such refresher courses on a regular basis.

### **3.3 Access to Services Delivery**

Although the provision of basic social services remains a valid priority area of the Assembly, several rural communities still lack such facilities as potable water and sanitation, classrooms, health facilities and credit to go into income generating ventures. There is no doubt that the provision of these basic social services is a major indicator of poverty reduction. Several rural communities still lack a lot of these social services. Moreover, these development facilities are skelly provided in favor of the urban centers perhaps because of the urban population and their possible votes.

It has been observed that despite numerous interventions made on educational infrastructural development in provision of textbooks, school uniforms, desks, classroom and scholarship to the poor but brilliant students, the performance of pupils over the years has nothing to write home about. However, a host of factors have contributed to that including inadequate logistic, single parenting, irresponsible parent and absence of role model among others.

It was noted that the major source of water supply for the populace in the district is from surface and underground water which are untreated. Most of the communities depend on streams for their water-supply due to frequent breakdown of these facilities. The communities normally face serious water crisis during dry season. However, it was also noticed from the data presented that many people in the district feel reluctant to pay maintenance charges which is Ghc1.00. It takes a long time for the boreholes to be repaired when they breakdown due to the failure of paying maintenance charges.

#### **4. CONCLUSION**

The Adaklu District Assembly's share of the common fund allocations from 2012 to 2019 stood at over Ghc 100 billion. This was utilized to provide a number of socioeconomic facilities in the district. But considering the amount so far received by the Assembly, not much has been done to provide programs and projects to accelerate poverty reduction in the district. Concerns have been raised about the utilization of the Assembly's share of the fund over the years. The people are demanding accountability and transparency in the use of the fund. The rural areas especially, still lack social services and infrastructure which have affected their living conditions. The projects have been skelly provided in favor of the urban centers. Yet the problem of non-involvement of the communities in decisions, which affect their lives, has led to several common fund projects not being patronized by some communities in the district. The non-transparency in the contract award system and lack of monitoring by the assembly posed serious challenges to the fund and poverty alleviation. The effect of this has been high contract sum as well as shoddy works of common fund projects. The deductions from the Assembly's share of the fund over the years have significantly reduced the quantum of fund, which was expected to reach the Assembly. This means that the Assembly did not have control over a significant proportion of its common fund allocations. This practice always affects the effort of the Assembly to provide more development projects and programs to promote local government development.

#### **5. RECOMMENDATIONS**

There is no doubt that the introduction of the District Assemblies Common Fund has brought improvements in the provision of social services and infrastructural development. However, its utilization by the assemblies faces challenges, which include improper management of resources as well as lack of enhanced capacity for delivery. With the upward adjustment of the fund from 5 percent to 7.5 percent by the government in 2007 more funds may be available to the district assemblies to undertake projects and programs for development of the rural areas. Based on the findings of this study the following recommendations may help the assemblies to manage and utilize the common fund to enhance local government development.

In order to make the common fund reliable and sufficient, there is the need for the central government to avoid deductions of the fund at the headquarters so that the Assembly can have more funds to undertake infrastructural development and other programs needed to reduce poverty levels among the rural folk. Although the provision of basic infrastructure stands out as a valid priority area and significant indicator of poverty reduction in most districts, the incidence of poverty resulting from lack of significant expansion of productivity and employment opportunities remain a problem. Therefore, the Assembly should focus on programs that will create jobs and enhance income generation in the rural areas. This will speed up the poverty reduction process. Again in order to ensure revenue collection performance and reduce their dependence on the common fund, the assemblies should involve the grassroots in revenue generation. The sub-structures of the assemblies such as town and area councils and unit committees should be made to work effectively. To ensure efficient management and utilization of common funds, the Ministry of Local Government should strengthen its oversight responsibility by ensuring effective monitoring and evaluation of funds through the transfer of requisite personnel to ensure proper accounting of the District Assemblies' Common Fund.

It is unfortunate that more than three decades of the District Assembly concept, most of the Assemblies have not been able to attract qualified personnel at both levels of the assembly system. The poor remuneration system is one major setback to effective operation of the assembly system. The study recommends the funding of allowances and other costs relating to the work of assembly members and their welfare, including that of sub-structures down to the unit committee levels be paid out of the Consolidated Fund. That would make the assembly system attractive to entice high caliber and professionally competent persons to the District Assembly.

#### **CONSENT**

As per international standard or university standard, respondents' written consent has been collected and preserved by the author(s).

#### **COMPETING INTERESTS**

Author has declared that no competing interests exist.

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