

Decentralisation and Local Economic Development Promotion at the District Level in Ghana

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Abstract The paper seeks to examine the contribution of Ghana's decentralisation process to local economic development (LED) promotion by assessing the roles played by local governments in the LED process. It came to light that local governments support LED through municipal development planning and implementation, provision of infrastructure, land use planning and physical development permitting, provision of extension services, training programmes and skills provision. It was also revealed that there exist challenges such as weak institutional set-up and inadequate capacity for LED promotion within the local governments. Moreover, the LED interventions as applied by the local governments are limited in scope and there is little integration of the LED process into the local level planning process. Finally, the absence of a national and local level policy framework to guide LED promotion affects the focus of the local governments in LED promotion.

Introduction

Over the past decades, many developing countries including Ghana have embarked on decentralisation to promote democratic governance and participatory approaches in development. There has been a wide range of merits for adopting some of these decentralisation and participatory approaches. For instance Crook (1994) sees decentralisation as a key strategy in promoting good governance. This is interpreted to lead to greater pluralism, accountability, transparency, citizen participation and development.

Decentralisation allows the devolution of power to lower levels of government and this gives them the possibility to get actively involved in development activities. Furthermore, the decongestion and distribution of workload between the centre and lower arms of government and other local entities enhance efficiency

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(Edoun and Jahed 2009). It also enhances the application of local know-how and resources in the development process.

Ghana as a country has had various experiences in decentralisation. These can be traced from the colonial period till now. This article seeks to assess the contribution of Ghana's current decentralisation process to the specific area of local economic development. In the following sections it will therefore:

- Assess the bearing of Ghana's current decentralisation policy on local economic development promotion.
- Examine the roles of local governments in LED promotion.
- Identify the challenges to effective LED promotion at the local level, and
- Propose measures to make decentralisation work for LED at the local level.

Research Approach

The approach involved a desk study where secondary sources of data were used. These included published and unpublished materials such as journal articles, books, reports, archival sources and students' supervised thesis and research work, particularly summaries of parts of a PhD thesis by the author.

An Overview of the Concepts of Local Economic Development and Local Government

LED has been defined in various ways by various authors and institutions. The World Bank (2003: 1) defines it as the process by which partners from public, business and non-governmental sectors work collectively to create better conditions for economic growth and employment generation. Blakely (1994: 49) also sees the concept as a process by which local governments along with local corporate firms join forces and resources to enter into new partnership arrangements in order to create new jobs and stimulate economic activities in a well-defined economic zone. In all these, LED is viewed as a process whereby stakeholders engage themselves, and with each other, to encourage and stimulate activities that have a bearing on economic outcomes through the utilisation, though not exclusively, of potentials and resources available locally. The principal goal of LED is to develop local employment opportunities by utilising the existing human, natural and institutional resources to build a self-sustaining economic system (Varol 2010: 98). It emphasises endogenous development policies that include the use of local resources and capacities to create new employment opportunities and stimulate new locally based economic activities (Blakely 1994). It seeks to build the economic capacity of a local area to improve the economic future and quality of life for all (Trousedale 2005).

LED has passed through three major stages (World Bank 2004). From the 1960s to the early 1980s, it was directly concerned with the attraction of mobile manufacturing investments (World Bank 2004; Varol 2010: 98). The second wave from the 1980s to the mid-1990s emphasised the retention and growth of existing businesses and inward investment. From the 1990s to date, the concept has focused on soft infrastructure investments, public private partnerships, networking and highly targeted inward investments attraction (World Bank 2004). The general approaches of LED include business development, human resource development, development of localities and community-based economic and employment development (Blakely 1994: 137–139).

Gravingholt et al. (2006: 31–32), also argue that the approaches to LED promotion should include encouraging business growth and the development of new enterprises, the promotion of inward investment, sector and business cluster development and the investment in hard and soft infrastructure. Therefore should any stakeholder be involved in the process of LED, then it should give due consideration to the development of hard and soft infrastructure and organisational developments to sustain the process.

Though the promotion of LED involves various stakeholders, this paper places its focus on the local government. Despite the fact that the local government discourse has been in the limelight for a long time, it has defied a common definition. The term can refer to a lot of units including a county, municipality, district, town, a school district, township, a local public authority and regional or interstate government entities. Though it makes reference to all the above units, local government in this paper centres on local public authorities that are mandated for the overall development of a specific geographic unit and its population. The United Nations (UN) define local government as “a political sub-division of a nation ... which is constituted by law and has substantial control of local affairs including the powers to impose taxes or to extract labour for prescribed purposes. The governing body of such an entity is elected or otherwise locally” (Sady 1962 in Khan 2006: 58). Also, local government is viewed as a territorial unit with defined boundaries, a legal identity, an institutional structure, powers and duties laid down in general and special statutes and a degree of financial and other autonomy (Hill 1974). A local government has legal personality, specified powers to perform a range of functions, effective citizen participation and a substantial budgeting and staffing autonomy subject to limited central control (Olowu 1988: 12).

In this paper therefore, local government is seen as a sub-national unit of government below the central government that has legal personality, specified powers to perform certain specified functions, involves effective citizen participation, and has a substantial budgeting and staffing autonomy in the promotion of the development of its area of jurisdiction. Historically, local government institutions have played a critical role in the transformation of countries the world over and continue to play important roles in the economic development of both developed and developing countries. They have the potential to raise agricultural and industrial production in developing countries in the collective action of managing scarce resources and other local institutions as well as in the informal sector to organise

themselves for effective economic activities. They play an important role in meeting the needs of the informal and private sectors by creating an enabling environment for them to operate in and to create jobs for the local people with the intention of reducing poverty. Some local governments also directly provide services that create jobs and income for the local people (Olowu 1988: 22–23).

The question of whether local governments should be involved in economic development has been a major issue of discussion for many years. It is argued, from the point of view of neo-classical theorists (Todaro and Smith 2006: 121), that governments and their units can do nothing right. In this view, the market should take charge of economic development. However, a market friendly approach (Todaro and Smith 2006: 121) to economic development also emphasises some of the failures of the market and therefore acknowledges that governments have a role to play by adopting non-selective interventions. This implies that governments should consider implementing programmes that generally will enhance economic development and not consider only certain aspects. Also modern theories on endogenous development suggest an active role for public policy in promoting economic development through direct and indirect investments in human capital formation and the encouragement of private investments in an area. In this respect, governments have a role to play in economic development and, for that matter, local governments in local economic development. Also, local governments have a key role to play in meeting the social, economic and material needs of their communities and the areas under their jurisdiction, by structuring and managing their administration, budgeting and integrating their development process to give priority to basic needs and the promotion of social and economic development of their areas. They also play a critical role in supporting other stakeholders to promote economic development by building partnerships between local authorities, communities, businesses and other stakeholders which are key to the success of local economic development. Finally, they are permanent structures that can assure stability over time considering that local economic development is a long term and on-going process rather than a once-off project.

Nevertheless, LED is not a new activity area to local governments, but has been a defined aspect of local government administration in the developed North for over a century (Nel 2001: 1005). But to their counterparts in sub-Saharan Africa, where a decentralised government system is only now taking root, it is a recent experience.

Many writers have elaborated on the roles to be played by local governments in local economic development promotion. Goetz and Clarke (1993) cited in Kokor (2001: 27) propose four major roles to be considered. These are participation, facilitation, regulation and adjustment. The participatory role of local governments includes the ownership of productive assets, participation in equity positions and partnership arrangements which make purposeful use of local public resources directly available to the local economy. The facilitator role allows local governments to use instruments such as subsidies and other forms of incentives to encourage economic activities including the delivery of local public services. The local government's regulatory role involves the usage of its rating systems and by-laws to monitor the local private market. The adjustive role is a social one. It

involves the provision of local public services that mitigate the negative effects of the market especially for disadvantaged groups, thereby reducing the effects of market forces on the population (Kokor 2001: 27).

The Evolution of Decentralisation in Ghana

The British introduced indirect rule during their colonial rule of the country from 1878 until 1957 (Ayee 2000: 48) which involved the de-concentration of central administrative structure. This helped the colonial government to consolidate its power and control over the entire colony. According to Nkrumah (2000), the colonial government ruled through local chiefs and gave them the power to establish treasuries and appoint staff and to perform local government functions. There was however no devolution of power and involvement of local units in the decision making process in this era. The immediate post-independence period from 1957 to the 1980s witnessed centralisation of government thereby weakening local governments. Decisions were taken at central government level and implemented locally. The ability of local units to encourage development from within was weakened thereby ensuring a form of dependency syndrome. Attempts at decentralisation reforms were introduced at different times, for instance in 1974 and this was generally characterised by de-concentration, and aimed at strengthening central government control at local level (Nkrumah 2000: 58 in Oduro-Ofori 2011).

The current decentralisation policy of the country can be traced to the late 1980s when the Provisional National Defence Council government, led by Flight Lieutenant Jerry John Rawlings, took bold steps towards decentralisation in order to promote participatory democracy. He did this through local level institutions, devolving administration, development planning and implementation to local government units, promoting transparency and accountability and incorporating economic, social and environmental issues into the development planning process in an integrated and comprehensive manner. By implementing this policy, local governments, called district assemblies, were established to give power to the local people. These assemblies were given substantial control over the development of areas under their control.

Legal Framework and Structure of the Local Government System in Ghana

The Local Government Act, Act 462 (formerly the PNDC Law 207) set the tone for the current decentralisation process in the country in 1988. It clearly stated the roles and functions of the various local government units. Currently, the 1992 constitution of the republic of Ghana and the Local Government Act, Act 462 of 1993

serve as the main legal frameworks of the local government system in the country. The country's 1992 constitution emphatically brings to the fore under article 240 (1, 2 and 3) the need to create local governments in the country. It states that:

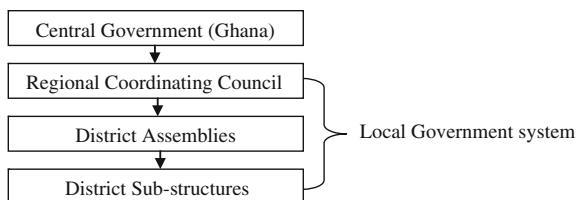
Ghana shall have a system of local government and administration which shall, as far as practicable, be decentralized and the system of decentralized local government shall have the following features- Parliament shall enact appropriate laws to ensure that functions, powers, responsibilities and resources are at all times transferred from the Central Government to local government units in a coordinated manner; and shall by law provide for the taking of such measures as are necessary to enhance the capacity of local government authorities to plan, initiate, co-ordinate, manage and execute policies in respect of all matters affecting the people within their areas, with a view to ultimately achieving localization of those activities.

These local governments can either be a District, Municipal or Metropolitan Assembly depending on the size of their population. Article 241 section 3 of the constitution stipulates that the District Assembly shall be the highest political authority at local level, and shall have deliberative, legislative and executive powers. Ghana has a three-tier structure of sub-national government. This comprises the Regional Co-ordinating Councils, District Assemblies and structures below the district. The District Assembly remains the key focus of this study as it is the main local government institution. Ghana's government structure is shown in Fig. 1.

The Regional Coordinating Councils

There are ten regional coordinating councils, one for each of the ten political regions in the country. The regional coordinating councils are administrative and coordinating bodies. The councils monitor, coordinate and evaluate the performance of the District Assemblies in their various political regions. They again monitor the use of all monies allocated to the District Assemblies by the central government and review and coordinate public services in the region. They are mandated to perform such other functions as may be assigned to it by or under any enactment. A Regional Coordinating Council is headed by a Regional Minister, which is appointed by the President of the republic.

Fig. 1 Ghana's government structure. *Source* Author's own construct



The District Assemblies

The local governments in Ghana are either metropolitan (with a population over 250,000), municipal (one town assemblies with populations over 95,000) or district (population 75,000 and over). A metropolitan/municipal/district assembly is created as the pivot of administrative and developmental decision-making in the district and is the basic unit of government administration. The Assembly is headed by a Chief Executive, appointed by the President and approved by at least two thirds of the membership of the general assembly.

District Assemblies are accorded wide-ranging powers by the 1992 Constitution and the Local Government Act of 1993 within their designated geographical areas. They act as the highest development, political, administrative, planning, budgeting as well as rating authority in their areas. The powers and functions of District Assemblies, as set out in the 1992 Constitution, and the Local Government Act (Act 462) of 1993, are thus extensive. The 1992 Constitution and section 10(3) of the Local Government Act of 1993 delineate the following functions of the district assemblies. They are to be responsible for the following:

- To ensure the overall development of the district. This comprises the preparation and submission through the Regional Coordinating Council for approval of the development plan and budgets by the National Development Planning Commission of Ghana and the minister of Finance respectively for the district.
- To formulate and execute plans, programmes and strategies for the effective mobilisation of the resources necessary for the overall development of the district.
- To promote and support productive activity and social development in the district and remove any obstacles to initiative and development and initiate programmes for the development of basic infrastructure and provide municipal works and services in the district.
- To develop, improve and manage human settlements and the environment in the district in cooperation with appropriate national and local security agencies, and to maintain security and public safety in the district.
- To ensure ready access to the courts and public tribunals in the district for the promotion of justice. Related to this they shall 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 and perform such other functions as may be provided under any other enactment.

Sub-district Political/Administrative Structures

These sub-district structures are subordinate bodies of the District Assemblies. They include the sub-metropolitan assemblies, urban/town/zonal/area councils, and unit

committees. The sub-metropolitan district council structures are immediately below the metropolitan assemblies. This arrangement has been dictated by the complex and peculiar socio-economic, urbanisation and management problems which confront the metropolitan areas. The urban councils are peculiar to settlements of “ordinary” districts. They are created for settlements with populations above 15,000 and which are cosmopolitan in character, with urbanisation and management problems, though not of the scale associated with the metropolitan areas of the country. The zonal councils are in the “one-town” municipal assemblies for which the establishment of town/area councils will raise problems of parallel administrative structures. They are based on the following criteria: commonality of interest, population of 3000 and identifiable streets and other land marks as boundaries. The town councils are found in the metropolitan and district assemblies. In the District assemblies, town councils are established for settlements with populations between 5000 and 15,000. Area councils exist for a number of settlements/villages which are grouped together but whose individual settlements have populations of less than 5000 in the districts. These cover areas with predominantly rural populations and in some cases can be identified with spheres of influence of a particular traditional authority. They are essentially rallying points of local enthusiasm in support of a new local government system. A unit is normally a settlement or a group of settlements with a population of between 500 and 1000 in the rural areas, and a higher population (1500) in the urban areas. Unit committees being in close touch with the people play the important roles of education, organisation of communal labour, revenue-raising and ensuring environmental cleanliness, registration of births and deaths, implementation and monitoring of self-help projects, among others (Fig. 2).

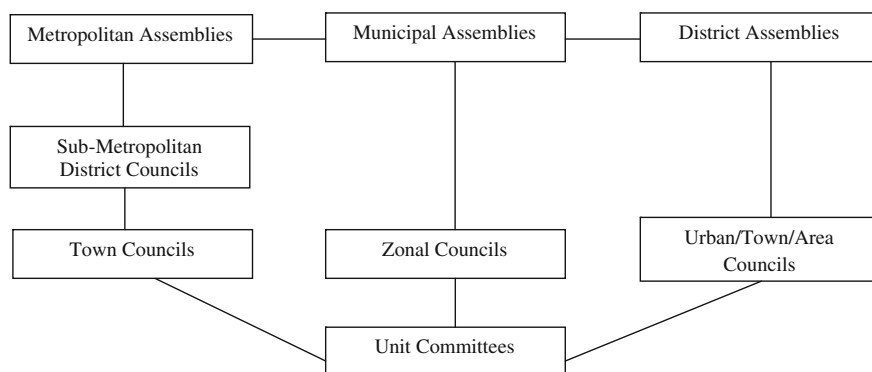


Fig. 2 Ghana's district assembly structure. *Source* Government of Ghana (1996)

Local Government and Local Economic Development Promotion in Ghana

Local governments were not extensively involved in local economic development right after Ghana's independence in 1957 as issues of economic development, unemployment and job creation were seen to be the activities and functions of the central government. The current local government system introduced in 1987 therefore gave local governments the mandate to promote the development of their areas of jurisdiction. The Act (Act 462) establishing the system clearly states their functions as discussed in the previous section and also encourages their support and promotion of local economic development activities.

Legal Context of Local Government Involvement in LED

The fourth republican constitution of Ghana puts local governments in charge of the development of their local areas. Section 240 of the constitution outlines measures affecting local governments. Section 245 also states that the functions of District Assemblies shall include the formulation and execution of plans, programmes and strategies for the effective mobilisation of the resources necessary for the overall development of the district. This puts the local governments in a position to promote the development of all sectors in their areas including economic development. The Local Government Act, Act 462 states that they are to promote and support productive activities and social development in their districts and take steps to remove any obstacles to initiative and development. This function therefore puts them in a position to ensure that the economic and social development of their areas are really supported and promoted through diverse ways and means.

Though the legal frameworks support the local governments in local economic development promotion, they fail to specifically stipulate what these are supposed to do and how. They also fail to provide sanctions to local governments which do not actively get involved in local economic development. The consequence is that local governments do whatever they think is appropriate in this respect.

LED Approaches and Strategies

Based on the mandate given to local governments by the constitution of the republic of Ghana and the Local Government Act (Act 462), to promote economic development, local governments may promote the local economic development of their areas through various interventions. But, it must be emphasised that the majority of the local governments do not have a specific policy on LED promotion. The local governments promote LED based on the endowments of their local areas. They

promote agricultural development through sponsoring farmers, provision of agriculture infrastructure and logistics and seeds. Agriculture extension agents of the local governments also help provide the necessary guidance to farmers in farming areas of the respective local government areas. A study conducted in the Ejisu-Juaben Municipality revealed that agricultural promotional programmes by the local government have been targeted towards increasing the productivity of major crops, reducing post-harvest losses, improving farmers' access to markets and credit and the training and re-orientation of farmers and extension agents to facilitate effective transfer of agricultural technology to farmers. In recent times, the Municipal Agricultural Development Unit has assisted farmers to obtain viable seeds, seedlings and breeds of livestock from its stock and other reputable sources within and outside the municipality. It has provided bags of fertiliser to farmers to boost production as a government directive. In some municipalities, it has also carried out massive cocoa spraying to boost cocoa production.

The local governments also support basic industrial and business development in their areas of jurisdiction. A study conducted by Mensah et al. (2013) in the Atebubu-Amanten District of Ghana has revealed that the local government supports small-scale agro-processing activities, particularly those that support women's activities. In the Kumasi Metropolitan Area, the Metropolitan Assembly supported the development of micro, small and medium enterprises by providing them with training and business development services and also enhancing their access to affordable credit (KMA 2010).

Infrastructure provision is another key area that is supported by all local governments towards LED promotion. This includes the construction of feeder roads to link production centres, construction of market centres and storage facilities, and the extension of electricity to communities to enhance industrial activities. Also local governments with tourism potentials put emphasis on this sector.

In sum, it can be concluded that the local governments in the country adopt the following strategies in their activities to promote LED and thereby open up the economies of their local areas:

- municipal development planning and implementation;
- provision of infrastructure;
- land use planning and physical development permitting;
- provision of extension services and training programmes;
- support and implementation of government, ministry, department and agency development programmes and projects, and
- skills provision, training programmes and the provision of credit facilities.

However, local governments need to find new and innovative ways of promoting LED due to its, up until now, minor impact. This is due to a variety of reasons: It is an undeniable fact that the major focus of the local governments is on the 'hardware' aspects of local economic development promotion rather than the 'software' aspects. The former include the provision of infrastructure while the latter comprise training programmes, access to credit and other intangible strategies that promote

local economic development. The strategies generally applied are not strong enough to help utilise effectively existing potentials for local economic development. The scale of operation of the various roles is again limited in terms of scope and time.

Institutional Structures for LED Promotion

Local economic development as a process oriented activity depends on existing institutions, the creation of new ones and their ability to manage the process. These institutional set-ups reflect decisions about the organisational channels and relationships that exist or are established for economic development oriented activities. Local governments in the country have different departments and committees that promote and implement economic activities. These include the Business Advisory Centre; Agriculture Development Unit and the Office for National Culture. Others include the Departments of Town and Country Planning, Cooperatives, Works and Community Development. They are responsible for promoting economic activities in the various fields of economic development pursued by the local governments. The sub-committees that are directly involved in local economic development are Development Planning, Culture and Tourism and Agricultural.

Consultative and cooperative relationships exist between the local governments through their administrative bodies and the sub-committees and also the various departments. The local governments consult and collaborate with these departments and sub-committees when implementing any activity on local economic development. Consultation, collaboration and cooperation between the sub-committees and the departments also exist. The consultation process involves the provision of information, discussion of issues concerning each other and initiating decisions that affect both parties. As part of the cooperative and collaborative process, they work together to achieve common purposes for the development of the local areas and the local government. However, within this frame, no institution exists that serves as a coordinating body within and between these departments, sub-committees and the general administration of the local governments.

Local Economic Development Planning

The current decentralisation system being practiced has given the various local governments the mandate and responsibility of preparing a periodic medium term development plan to guide their development activities. The plans are prepared every four years by all the local governments. These locally prepared plans are then sent for the approval of the Regional Coordinating Council (RCC) and the National Development Planning Commission (NDPC) of Ghana. In this planning process, the local governments are supposed to include issues touching on local economic development.

The guidelines concerning the preparation of the plans are issued periodically to the local governments by the NDPC. These guidelines are derived from prevailing development policy frameworks of the country at any point in time. In this respect, the development focus and themes of the country serve as the guide to local level development planning. Local governments do not have the absolute right to go outside these guidelines. Since 1996, the commission has issued five guidelines to this effect. These are the 1996–2000, 2001–2005, 2006–2009, 2010–2013 and 2014–2017 guidelines. These also correspond to the planning periods. These guidelines provide the procedures and processes that should be followed by all the local governments in their development planning activities.

The content of the guidelines determines what the local governments shall include in their plans. Should there be no consideration on local economic development, main LED issues will be left out. A review found that the first three guidelines did not make mention of the concept of local economic development. However issues covering the subject were captured under thematic areas such as “production and gainful employment” and “skills and entrepreneurial development” in the 2002–2004 guidelines and “priorities for private sector competitiveness” in the 2006–2009 guidelines. The 2002–2004 guidelines enjoined the local government to analyse their resources to generate gainful employment. In this respect, they were to analyse their production systems and levels of technology, support given to the improvement of storage facilities to minimise post-harvest losses and streamline distributions. In the 2006–2009 guidelines, local governments were to formulate goals, objectives, programmes and projects that bordered on modernising agriculture, support services, the development of additional sectors to support growth, employment generation and improvement and expansion of safety nets at the local level. The guidelines from 2010–2013 and the 2014–2017 make actual mention of local economic development and what should be included in the medium term development plan. Though the content is spelt out, LED is still a small aspect of the planning activities in the local governments.

From the above, it is clear that though planning at the local level is supposed to be a bottom-up process, the issuing of the guidelines indicates a top-down approach which may not help the local governments exercise a comprehensive LED planning and also address pertinent LED issues in their very specific context. Also, the four-year duration of the current planning system by local governments negatively affects their ability to contemplate a long-term strategic LED vision for their locality.

In terms of the planning process, the local governments follow a comprehensive process in the preparation of their medium term development plans. The process captures most of the issues concerning a locality’s development. It covers issues on economic, social, cultural, spatial and most aspects deemed to be of importance to the development of the municipality. It links all the sectors together in the process and indicates that no sector stands on its own or is of greater importance than the other. Also, the process includes most of the stages and steps as identified in the local economic development process (World Bank 2003). It includes the identification of stakeholders and their involvement in the process. It also hinges on

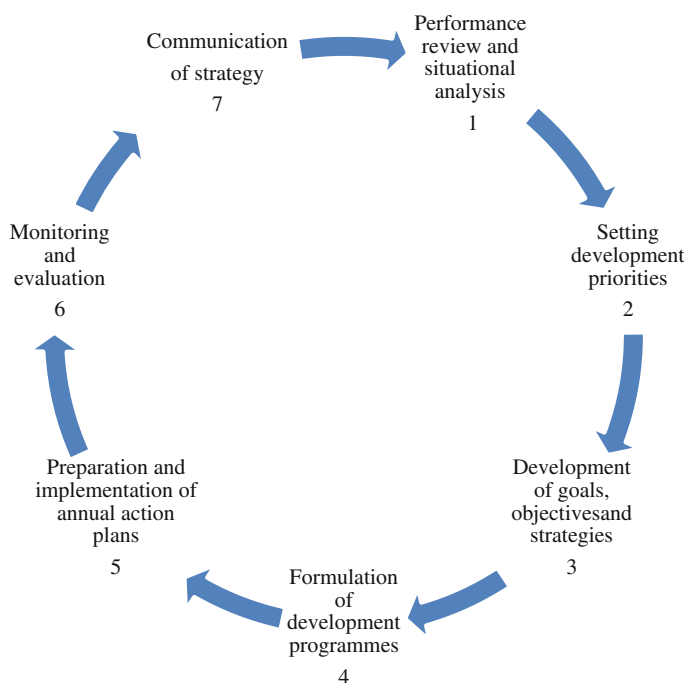


Fig. 3 Planning process. *Source* Author's own construct with inputs from National Development Planning Guidelines to district assemblies

participatory planning where the necessary stakeholders in the process are supposed to take part in analysing and visioning for that particular spatial entity and also in the formulation of goals, objectives, strategies and action plans and their implementation and management. The process again links its outputs to the national policy framework and the goals and objectives of the country prevailing at the time.

The stages of the medium term planning process are captured in Fig. 3.

The planning processes followed by the local governments, though very broad, integrative and all inclusive, may have the following negative effects on LED Planning:

- It may pay little attention to and therefore overlook basic aspects of local economic development.
- Also, the consultation of all stakeholders in the process is not thorough enough to capture most of their needs and aspirations. The reason is that the process covers many stakeholders spread across various sectors and areas of the locality over a short period of time.
- Instead of focusing on the needs of the locality, the process is attached to the particular development policies of the country at the time of the plan preparation. It is the focus of this policy document which determines the content of the

plan including the goals, objectives, programmes and projects to be implemented during the period.

Other major issues concerning LED planning is the calibre of human resource available within each local government for planning purposes and their competencies. Planning at local government level is carried out by the District/Municipal/Metropolitan Planning and Coordinating Unit (DPCU). This unit is made up of professionals heading the various departments in the local government. The unit normally has the Development Planning Officer as a member. Though these planning officers are competent in comprehensive planning, they need to be taken through strategic LED planning to plan effectively for the sub-sector. Also, many local governments in the country do not have trained planners and this affects the kind of planning that is done and the inclusion and implementation of LED programmes and activities.

From the discussions on LED planning, it can be deduced that local governments in the country do not have a clear and long term LED strategy to follow. They rather identify programmes, projects and initiatives that are pro-LED for the short term. This was confirmed by studies carried out by Oduro-Ofori (2011) in the Ejisu-Juaben Municipality and Mensah et al. (2013) in the Atebubu-Amanten District of Ghana. For effective local economic development, a strategic local economic development process meeting the needs of the local governments should be followed and this should be captured in the LED promotion policy of the country.

The Role of Policy in LED Promotion

A development policy can be defined as a broad or open statement of intent containing a set of principles, strategies and instruments regarded as the general guidelines to direct and promote a government, an institution, an organisation, and an individual towards the attainment or achievement of stated goal(s) and objectives. Therefore the implementation of any special development concept needs an appropriate policy to guide it. A local economic development policy framework usually contains the principles and long term goals that form the basis of making rules and guidelines and to give overall direction to planning, development and implementation of local economic development. This framework aims to support the development of sustainable local economies through integrated government action. This has the ability of stimulating the heart of local economies to the benefit of the national economy. In some countries in the developing world including the Republic of South Africa, there is at least legislation guiding LED promotion (Patterson 2008). This has compelled local governments to promote LED in their areas of jurisdiction.

The same cannot be said of LED promotion in Ghana. There is no comprehensive national policy framework to guide local governments in local economic

development promotion at a local level. The absence of this could be attributed to the assumption by past governments of the country that the creation of an enabling local environment within which local economic activities were conducted, resources mobilised and revenue generated, was not a major responsibility of the local government. This is because issues on economic development were viewed as the obligation of the central government. But, the absence of this framework makes it unclear for local governments on what to do, how to do it and the specific areas to support in the promotion of local economic development. Though the Local Government Act, Act 462, directs local governments to support social and productive activities and although there exists a brief section of the 2010 National Development Planning Commission (NDPC) planning guidelines, there is the need for a national policy framework to be developed to guide the activities of these local governments and to compel them to actually get involved in the process.

Funding of Development Activities

The decentralisation process has also empowered local governments with some basic funds to promote the development of areas under their control. The central government supports them with grants including the District Assembly Common Fund (DACF) and the District Development Fund (DDF). Additionally, the local governments have the legal mandate to mobilise revenue locally from their area. In Ghana, this is called the Internally Generated Funds (IGF). The DACF is a statutory payment by Central government to the local governments from the national budget. Under DACF, government is mandated to transfer 7.5 % of national tax revenue to a fund. The DACF is disbursed to the local governments on a quarterly basis per a formula approved by the parliament of Ghana annually. Since its introduction in 1993, this has proven to be the most reliable form of transfer from central government to the local governments. Many development projects in the area of LED have been carried out country-wide.

Table 1 indicates the amount of funds released into the fund from 2008 to 2011.

Though the DACF is the most available source of funds to the local governments, it is, for at least two reasons, inadequate to meet all their development needs.

Table 1 DACF releases

Year	Total national revenue (Ghana Cedis)	Allocation to DACF (Ghana Cedis)	DACF percentage of total national revenue
2008	201,561,054.17	36,265,080.70	38.5
2009	247,290,422.13	51,798,921.21	43.33
2010	469,296,584.84	86,146,309.35	31.97
2011	354,012,976.94	65,401,988.91	27.83

Source Shirazu (2013: 4)

First, it is not released on time. Second, before the fund is released, the central government makes a lot of deductions. According to Shirazu (2013), 61.18, 44.25, 31.62 and 46.08 % of the funds were deducted before release to the local governments by the central government in 2008, 2009, 2010 and 2011 respectively. From these submissions, it can be observed that about 40 % of the DACF is normally earmarked for other programmes for the local governments which negatively affect the implementation of their development programmes.

The District Development Fund (DDF) is a performance-based fund. It is given to local governments based on performance following the implementation of their proposed development activities. An annual assessment of Metropolitan, Municipal and District Assemblies (MMDAs) performance is carried out using the Functional Organisational Assessment Tool (FOAT, also view article of Braimah/Inkoom in this book). Local governments that pass the assessment are provided with additional funds. A greater portion of the facility comes from Ghana's foreign development partners.

Concerning the mobilisation of internal funds, local governments face a lot of challenges. These include inadequate data on existing rateable and all economic entities and a list of properties and their owners that could be taxed. Property owners also default in paying property rates approved by the local government due to their non-involvement in the fee-fixing process. Due to the absence of an advance (automated) system of revenue collection, revenue collectors are able to take advantage of the loop holes in the revenue collection process to dupe the local government by under-reporting what is actually collected. Again, the revenue collectors are not well equipped in terms of skills and logistics to be able to collect revenue effectively.

The local governments are also restricted in terms of borrowing for their activities. The Act (Act 462 1993: section 88) establishing the local government system in the country states that "a district assembly (local governments) may raise loans or obtain overdrafts within Ghana of such amounts, from such sources, in such manner, for such purposes and upon such conditions as the Minister [of Local Government and Rural Development] in consultation with the Minister responsible for Finance, may approve; except that no approval is required where loans or overdrafts to be raised do not exceed Two Thousand Ghana cedis" (GHS 2000, current about 600 US Dollars). Based on this section of the act, local governments cannot borrow funds from outside the country or enter into any financial agreements with any entity from outside the country for any purpose and also carry out borrowing in the country without the prior approval of the Ministers concerned. The procedure for approval of sums above the threshold entails all the bureaucracy of the corridors of governance and power in the country and the subsequent delays involved. It is therefore not attractive to most local governments in the country to borrow additional financial resources for their development activities. From the above analysis, though decentralisation has improved the funding of local governments, the funds made available are inadequate to support totally the development activities of the local governments.

Perspectives Towards Making Decentralisation Work for LED Promotion

The analysis indicates that the introduction of decentralisation and the establishment of local governments in Ghana have enhanced the promotion of the local economies at the local level in various ways. It has led to the speeding up of infrastructure provision necessary for economic development, training and provision of credit to entrepreneurs and the other supports for business development. In all this it has however come to light that there exist challenges such as a weak institutional set-up for LED promotion, inadequate capacity for LED promotion, limited scope of LED interventions, less integration of the LED process into the local level planning and an absence of a national and local level policy framework to guide LED promotion at the local level. These drawbacks need to be addressed to achieve a high positive effect of decentralisation on LED promotion at the local level.

The following measures are thus recommended.

Improving Institutional Structure for LED Promotion

In addressing the weak institutional structure for LED, local governments should be encouraged to establish a special centre to be in-charge and responsible for its local economic development activities. This unit should help plan, facilitate and coordinate all local economic development activities of local governments, their departments, units and sub-committees and that of local economic entities in their areas of jurisdiction. This centre or unit should also see to the creation of sub-units or centres for local economic development in the local governments' areas. The unit should convene a LED forum of the local governments. The structure should have the mandate of re-orienting the various departments, especially the Business Advisory Centres, on their roles in promoting business and other economic activities. The centre ought to include representatives from all the key departments, sub-committees, and technical staff of the local governments, representatives from major business associations and economic entities and local leaders in the local governments' areas of operation. A proposed LED institutional structure and framework is presented in Fig. 4.

Integrating a Detailed LED Planning Process into Local Governments' Medium Term Planning Process

The strategic local economic development process, which involves a participatory process of formulating and implementing a local economic development plan, is

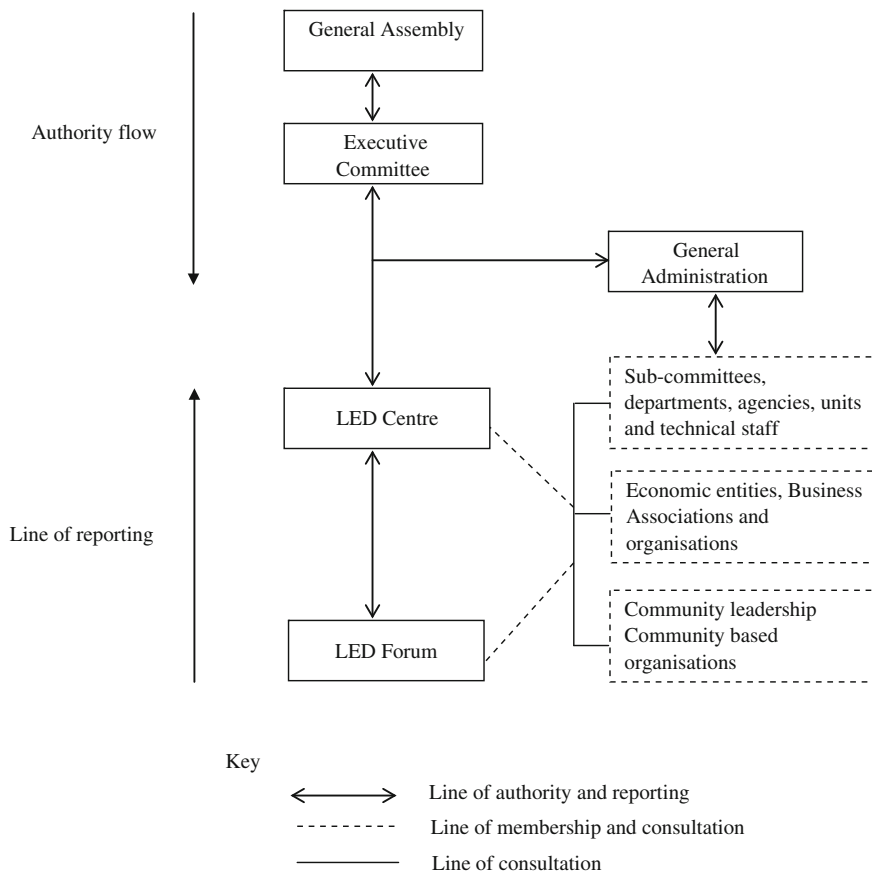


Fig. 4 Proposed LED institutional structure and framework at the district level. *Source* Oduro-Ofori (2011: 217)

both a vehicle to devise and implement programmes, projects and activities and an instrument to concretise the economic sector plan of the local government. Though this plan should serve as an integral part to the larger development agenda of the local governments, it should clearly spell out the local governments' vision, goals, objectives, programmes and projects for local economic development and their implementation processes. It is advocated that the local economic development process should be expanded by the local governments after their medium term development plan preparation period. At this point, the various stages of the local economic development process including: organising the LED efforts; doing the local economy and competitive assessment; formulating, implementing and monitoring the LED strategy could be followed in detail. This should be done by the local economic development unit of the various local governments through the stakeholder forum in the local economic development process.

Formulating a National and Local Level Policy Framework to Guide LED Promotion

The absence of an integrated national institutional and policy framework for enhancing the involvement of local governments in local economic development will have an adverse effect on effective local economic development in the country. There is therefore the need for the ministry responsible for local governments and the National Development Planning Commission to create a national framework to guide local governments in local economic development promotion in the country. This framework will be a means of enhancing the policy environment and putting in place institutional arrangements at the national level to guide local governments in effectively promoting local economic development at the local level. This framework should help develop a local economic development centred understanding of the national economy, its sub-national and local dimensions, prevailing sectors and value chains. This framework should also assist in documenting, analysing the impact of and eventually harmonising and enhancing local economic development related macro policies and strengthening their responsiveness to local economic development promotion requirements. Again, it should document and assess the coherence of the mandates and functional assignments of the relevant ministries and national agencies, quasi-governmental and non-governmental organisation and private sector institutions. This will enhance the gradual refinement of such mandates and improve the horizontal and vertical coordination and harmonisation of assigned functions. Finally the framework should accurately define the functional assignments of local governments related to LED. It should also position them in relationship to other local economic development promoters operating within their areas of jurisdiction. The framework should make it mandatory for the local governments to document, analyse and coordinate local economic development activities relevant to national strategies.

Improving Upon the Capacity of the Local Government for Local Economic Development

In view of the findings that the local governments have inadequate capacity in terms of funds, technical know-how, logistics and other forms, there is the need to address these issues. They should enter into partnerships with other stakeholders in the process where the financial burden on it can be shared. This will also allow them to perform other roles and functions aside from financial provision in the partnership. They can again encourage the setting up of cooperative credit unions and associations across the length and breadth of their local areas and put in measures to strengthen existing ones. This will help micro-level economic entities and entrepreneurs to have access to financial capital for the development of their economic entities in the long run. Also the proposed local economic development

unit of the local government should be tasked to put in the necessary efforts to source for additional funds for local economic development activities of the local governments.

Moreover, central government could also compel the local government to allocate special funds from their budget for the promotion of local economic development each financial planning period. In the long term, the central government should speed up its fiscal decentralisation process to give local governments full control over grants received and give them financial autonomy in the use of their financial resources. Aside from the improvement in the financial capacity of the local governments, they should re-orient their staff, whose activities are likely to have a bearing on local economic development, on the ideals and principles of the concept. This should provide opportunities for well-established and more practically focused training in local economic development, its planning, implementation, financing and management as it will improve upon their capacity and ensure the effectiveness of the local governments in this direction.

In conclusion, it is important for one to note that decentralisation is an effective process to promote good governance and participatory development and that the relationship between decentralisation and local economic development cannot be over emphasised. Local economic development as a general strategy to promote economic opportunities and growth at the local level can be enhanced through an effective decentralisation process. Decentralisation in Ghana has led to the creation of a local government system called the District Assembly concept and thereby contributed to the reduction in disparities existing among localities. It has assisted districts to reduce economic development gaps in many areas. It is in this light that the gains made by the decentralisation process in the light of LED should be enhanced and the challenges impeding the processes contribution to LED should be addressed to help achieve the best of results.

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