



GOOD GOVERNANCE AFRICA



POLICY BRIEF

**THE ROLES AND RESPONSIBILITIES
of Metropolitan, Municipal and District Actors in
LOCAL ECONOMIC DEVELOPMENT**

Local governance, has since the 1990s gained global importance in many developing countries. The flurry of national governments' interest in decentralisation is driven by multiplicity of factors, including: the desire and commitment to improve the efficiency of public services delivery; managing the fast pace of growth of many emerging urban centres; and deepening democratisation and accountable governance at the local level (European Commission, 2007). More recently, there have been efforts, informed by institutional theories, to conceptualise and analyse the connections between institutions, local governance and economic development more generally (Gómez and Knorringa, 2016). In this context local governance involve complex layers of interactions between real actors in close proximity with each other, and with private and non-state actors to make decisions that have local economic development (LED) implications (Helmsing, 2001). This new form of decentralised local governance also resonated well with many countries that have been implementing local government reforms. However, LED requires a system in which local institutions are part and parcel of the processes of raising economic awareness, framing strategies, facilitating and generating collaborative, collective actions for a common purpose (Helmsing, 2001).

While many countries, including Ghana have been very successful at deepening political and administrative decentralisation, the verdict is mixed when it comes to fiscal decentralisation, a key component of local government reforms. Fiscal decentralisation is a key cog in the drive for greater government efficiency at the local level, particularly in local governments ability to collaboratively initiate, plan and strategise to promote LED (Mensah et al, 2017). This is so because, Metropolitan, Municipal and District Assemblies (MMDAs) are the public entities with the mandate to ensure the holistic development of the communities and localities within their jurisdiction, and financial resources are important in this regard. While many MMDAs have been successful with the provision of various social services, they have been unable to make their local micro economies work to create jobs, incomes and economic opportunities for the masses. As such there is the growing need to negotiate some form of transition from service provision to facilitation of broad-based local development, including local economic development at the local level in Ghana.

Good Governance Africa (GGA) – West Africa Center in Accra has therefore taken it upon themselves to train and empower selected actors in the MMDAs to first deepen their understanding of their economic development function and secondly to equip them with tools to better deliver on that mandate. These capacity building programmes are intended to:

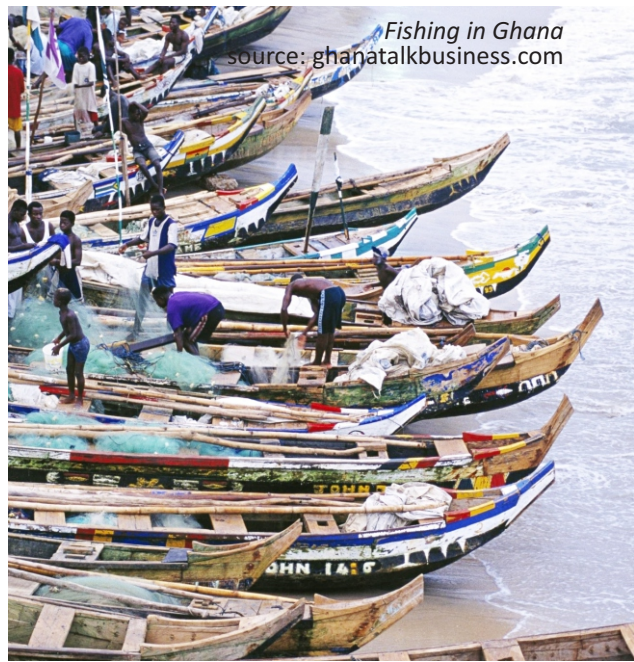
1. Support, train and build capacities of the existing governance bodies in Ghana to efficiently deliver local economic development in their areas of jurisdiction;
2. Sensitise participants about their role in metropolitan productivity to solve urbanization improvements challenges; and
3. Identify the opportunities and weaknesses for strengthening the economic capacity of local and regional communities.



Seminar and training of MMDAs on LED, Photo: Prince Antwi

Many of the towns and villages in Ghana are assuming urban status, and faced with significant development challenges (Anafo and Inkoom, 2015). The rapidly growing population of towns and villages is resulting in unprecedented pressure on the already decaying public infrastructure and services (Brenner et al., 2009; Anafo and Inkoom, 2015). Meanwhile the MMDAs have weak financial and resource capacities to respond to the development and service needs of the rapidly urbanising communities. Only a few MMDAs can survive without central government support in the form of the District Assemblies Common Fund (DACF).

The governance architecture of local government in Ghana, makes it imperative for MMDAs to have a sound financial base to support local level development. The Local Government Act, 1993 (Act 462) envisages that each local government unit shall have a sound financial base with adequate and reliable sources of revenue.



The revenue sources of MMDAs usually include the DACF, grants, transfers, ceded revenues and external credits, land rates and minerals royalties, and other internally generated funds (IGFs). The Sixth Schedule of Act 462 lists the revenue sources of local governments, broadly to include entertainments duty; casino revenue; betting tax; income tax registration of trade, business, profession or vocation; gambling tax; rates and levies; fees; licences; taxes chargeable on the income of self-employed persons; and miscellaneous sources. While the structure and organisation of the Local Governance Act, 2016 (Act 936) is different, the intent remains basically the same,

with Schedules 8 – 12 itemising broadly the same revenue categories for MMDAs. However, King et al. (2003) report that yields from IGF are so low that MMDAs are unable to rely on it to meet their recurrent expenditure, leaving most districts wholly dependent on central government and other grants transfers. Meanwhile, the transfers from central government sources, particularly the DACF are unreliable, irregular and insufficient to support local development.

It is for this reason that a two days' capacity building programme for actors at the local and sub-national levels of government is deemed imperative.

Data on the releases of the DACF are either sketchy, missing important details or not in forms that allow for informed analysis. Eventhough the DACF administrator provides up-to-date data on specific quarterly releases to the various MMDAs from 2011 to 2018 On its website

(http://www.commonfund.gov.gh/index.php?option=com_content&view=article&id=301&Itemid=398), the specific dates of the releases, actuals against budgeted etc have not been captured making it difficult to rely on for analytical purposes. However, some analysis of the trends in releases for 1999 – 2002 (see, Table 1), although quite dated, lends credence to claim of wide disparities between budgeted and actual allocations.

Table 1: Releases of the DACF (Thousand Cedis): 1999 – 2002

Year	Total Revenue Collected	5% of Revenue	Actual Releases	Variance	Percentage of Variance
1999	3,116.9	154.5	126.28	25.22	25.22
2000	4,414.7	220.7	192.3	28.40	28.40
2001	6,556.9	327.8	296.7	31.10	31.10
2002	8,132.0	406.6	109.7	296.90	296.90

Source: King et al. (2003, p. 19).

Tracking of the District Assemblies Common Fund: A pilot study of four district assemblies.

The wide disparities between budgeted and actual releases is compounded by the relatively inadequate nature of the funds so transferred. Although we are in the third quarter of the 2019 fiscal year, MMDAs have only received allocation for the first quarter of the year. An analysis of the second quarter releases for 2018 (most recent data available on: <http://www.commonfund.gov.gh/2ND%20QUARTER%202018.pdf>) show that Asokore Mampong Municipal Assembly received the highest allocation of GHC1,735,964.14 with Juaboso District Assembly receiving the least of GHC355,355.03. More than 90 percent of the MMDAs received less than GHC500,000.00. These amounts are insufficient to meet the local economic developmental needs of the MMDAs.

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Photo: Geoffrey Buta



The synergistic effects of the low financial position of MMDAs, and the irregular central government transfers, is the inability of MMDAs to effectively respond to development challenges. Meanwhile, the MMDAs face major infrastructure and service delivery gaps and bottlenecks. This situation further deepens the growing inequalities, particularly in rapidly urbanising areas as the poor and vulnerable suffer most from poor and low access to public services. For MMDAs to meet their development needs they will have to work collaboratively with other actors to make their local economies successful. This will enable them generate the much-needed resources to promote broad based local economic development, create jobs, reduce unemployment and reduce poverty.

Global efforts at eliminating poverty and empowering the poor and disadvantaged led to the ratification of the universally accepted SGDs, by World leaders in 2015. While there are 17 goals in all, efficient local governance and LED are fundamental to the realisation of SDG 1 – No poverty; SDG 8 – Decent work and economic growth; SDG 9 – Industry, innovation and infrastructure and SDG 11 – Sustainable cities and communities. Seen in this way efficient local governance that supports LED is imperative for driving the changes needed for a more sustainable and prosperous future for local government areas. Similarly, principles and

commitments of the New Urban Agenda, support the need for resilient, robust local economies that promote inclusive, sustainable and place-based development that reduces vulnerability and builds resilience by creating decent economic opportunities. As a country, Ghana will not be able to meet the 2030 Agenda and the goals and aspirations of the New Urban Agenda, if efforts are not redoubled at making local governments work to promote LED.



Cocoa farming in Ghana, source: ypard.net

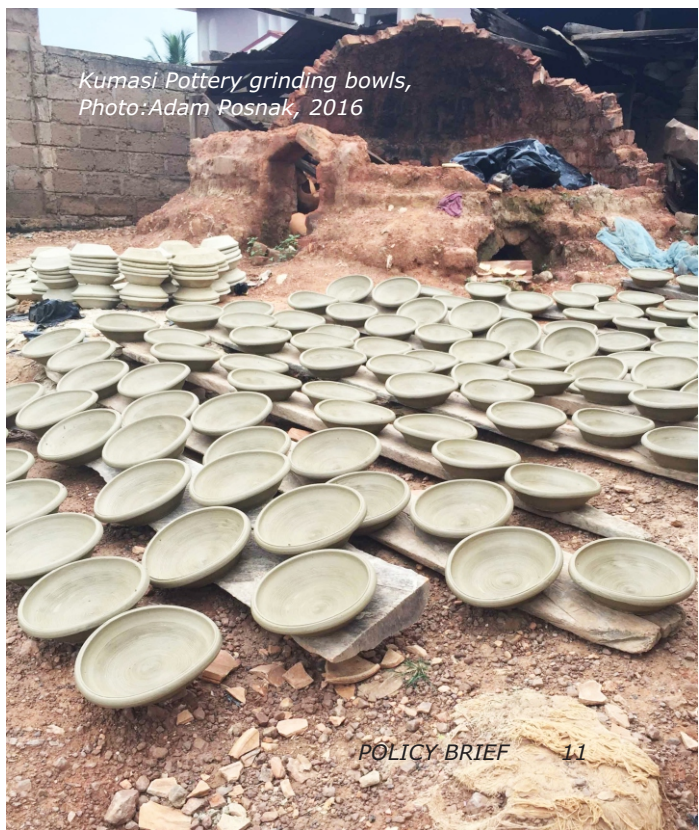
GOVERNMENT POLICY PRIORITIES

Current government actions and initiatives show that Ghana is interested in deepening local, transparent and accountable governance and promoting local economic development. The promulgation of the Local Governance Act 2016 (Act 936), the formulation of the decentralisation policy framework (2012), the preparation and implementation of the National Local Economic Development (LED) Policy (2013) are indicative of government's readiness to unlock the economic development potentials of MMDAs.

Again, successive national development plans have placed emphasis on stabilising the local economy and promoting the productive capacity of MMDAs and local business entities. These development plans include the Ghana Poverty Reduction Strategy, the Growth and Poverty Reduction Strategy, the Ghana Shared Growth and Development Agenda I and II, and the Coordinated Programme of Economic and Social Development Policies (2017 – 2024). The main thrust of the 2017-2024 agenda is the creation of prosperity and equal opportunity for all, and the role of MMDAs and LED in this drive is extremely pivotal.


Government of Ghana's has been implementing a number of LED-friendly policy initiatives over the last few years. Initiatives such as the "planting for food and jobs", "one-district, one-factory", "planting for export and rural development", "rearing for food and jobs", "one-village, one-dam", collectively, are geared towards stimulating the micro economies of MMDAs and contributing to promote LED. These different initiatives have been well received across the country and will contribute to building resilient and robust local businesses.

Interestingly, however, a lot of the government policy initiatives are counter-productive with respect to gains made in decentralisation reforms. For instance, the "one-constituency, one-million dollar" initiative is being implemented through the creation of special development authorities.



*Kumasi Pottery grinding bowls,
Photo:Adam Posnak, 2016*

These development authorities will operate in communities, towns and cities that are already under the jurisdiction of MMDAs. The implication is that the functions of MMDAs will be usurped by these authorities that have been set-up solely to utilise some resources that could have been channelled through the MMDAs. Again, the amount of money allocated to these authorities are significantly higher than the resources that go to the MMDAs by way of DACF. Similarly, the Nation Builders' Corps was established to help provide temporary employment to young graduates across the country. The initiative relies heavily on the DACF for the payment of the monthly allowances to beneficiaries. So, while the DACF is insufficient to meet local level developmental needs, central government initiatives and interventions further worsen the financial position of MMDAs. This makes it difficult for MMDAs to mobilise the needed resources to create locally viable economies that support income generation, job creation and poverty reduction.



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RELEVANCE OF THE LED WORKSHOP AND POLICY RECOMMENDATIONS



LED Workshop held in Western Region, Ghana, photo: Prince Antwi

The LED training programme which introduced participants to the relevant concepts, methods and practices of local economic development was therefore expected to help participants appreciate the need to unlock the local economic potentials of their localities. Participants were also exposed to the local economic development opportunities, local and global, that they can take advantage of. The legal, institutional, and policy context for local economic development in Ghana were also

examined. The objectives of the training were achieved, given that participants were optimistic that the timing is right for their various MMDAs to pursue LED. The following policy recommendations are summarised from the two days' training:

1. MMDAs need to increase their revenue base as well as the capacity to mobilize and optimally manage natural, human, financial, infrastructural, social and other resources in ways that promote LED, generate incomes, reduce inequalities, create jobs and reduce poverty;
2. MMDAs must develop their capacities to attract and retain trade and investments opportunities by building enabling environments that support business start-ups and incubation. They need to also establish effective support systems for businesses, including enterprise development funds; databases on small business activities and opportunities; enterprise development and business information centres;
3. MMDAs should have functioning, transparent and accountable government systems. Procurement systems should be open, competitive and give priority to local businesses; budgeting and planning processes are adhered to; and information is quickly and easily available;

4. MMDAs ought to have functioning service delivery systems with services designed to respond to the needs and priorities of all segments of the population. The citizenry would have the opportunity to influence the design and delivery and participate in the decision-making processes as key actors;
5. MMDAs need to forge effective collaboration with civil society and non-governmental organizations and the local business and private sectors to provide alternative sources of development, income generation and employment in a consultative, collaborative and accountable manner; and
6. MMDAs will ensure the provision of secure living environments, where businesses thrive; law and order work and security services can be relied upon to uphold the law and deliver justice effectively. The district capitals can be considered safe areas to invest, live and work in.



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AFRICA**

Tel: +233(0)302 777762

+233(0)246 718831

www.gga.org

Email: info.westafrica@gga.org

Facebook: [ggawestafrica](https://www.facebook.com/ggawestafrica)

Yekeima Square Opposite

Fiesta Royal Hotel

Dzorwulu-Accra