



THE EFFECTS OF THE DISTRICT ASSEMBLIES' COMMON FUND ON DISTRICT ASSEMBLIES INTERNALLY GENERATED REVENUE MOBILISATION IN GHANA: AN ANALYSIS OF THE EARLY YEARS OF THE FUND

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ABSTRACT

The decentralisation system of Ghana requires the transfer of functions to the District Assemblies (DAs). This needs to be accompanied by various type of resources especially funds to ensure its success since District Assemblies are responsible for Ghana's infrastructural and political development. Financial resource scarcity was common among district authorities which made it more difficult for DAs to carry out their mandated functions. The District Assemblies' Common Fund (DACF) was introduced to augment the locally generated revenue of DAs. This paper assesses the impact of the DACF on internally-generated revenue (IGR) mobilisation. It seeks to establish the extent to which the introduction of the DACF has influenced local revenue generation of the Bolgatanga, Sissala and Nadowli District Assemblies. In this regard, the discussion covers the legal authority, nature and attributes of the DAs financial resources. The study has established that Central transfers have a dominating importance in the structure of the District Assemblies' revenue in Ghana. Of the transfers, the DACF constitutes, on the average (for the three districts) 65% of the total income available for the period 1994 –1998. The IGR collection efforts of the three study districts changed in real terms since the inception of the DACF. The huge inflow of central government grants to the District Assemblies has resulted in a reduction in locally-generated revenue and, the high proportion of the DACF contribution to the revenue situation of the three districts implies that all the districts have very weak local revenue mobilisation structures.

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Keywords: DACF, Internally generated funds, District assembly, Ghana.

Contribution/ Originality

This paper contributes to the theoretical argument on the role of external funding in deepening dependency syndrome vis-à-vis its role in furthering decentralised goals. External fund (DACF) that comes with fiscal decentralisation is justifiable. However, its success depends on the creativity of autonomous structures to use it to further development goals.

1. INTRODUCTION

Decentralisation has taken a greater part of the reforms in developing countries, especially sub-Saharan Africa. According to [Conyers \(1984\)](#) decentralisation was regarded as a means of achieving various development goals, including rural development and national unity, and as such attracted broader interest. Although studies have shown that decentralisation, especially fiscal decentralisation has made little impact in the economies ([Prud'Homme, 1995](#); [Smoke, 2001](#)) it is still being promoted in as a vehicle of promoting effectiveness in local level development. The advocates, especially the donor community maintained that it is an effective way of ensuring responsiveness to the local level ([Wallis and Oates, 1988](#); [World Bank, 1994](#); [Crook, 2003](#); [Crawford, 2008](#)). Due to the perceived advantages, many developing countries are facing both external and internal pressures to decentralise government functions and resources to the local level ([Sharma, 2004](#)). It has actually become the cornerstone of development in many developing countries ([Aslam and Yilmaz, 2011](#)).

In Ghana, many have pointed to local governments as the viable institution that can shape the contours for the promotion of good governance at the local level, open the blockages of inert central bureaucracies that can offer more direct access to government by the people and stimulate the whole nation to participate in the national development. This ideology has orchestrated and engineered the institutionalisation of decentralisation which was once practiced in varying forms in the period of imperialism in most African countries ([Inanga and Osei-Wusu, 2004](#); [Crawford, 2008](#)). In 1988, the Government of Ghana embarked on the implementation of a comprehensive policy to decentralise the system of government. The decentralisation programme had two main objectives: to create opportunity for the majority of Ghanaians who live in the rural areas in villages and towns to participate in decisions that directly affect their lives and increase their access to political authority; and to promote local development through the involvement of the indigenous people as a way of improving ownership and commitment to enhance implementation, leading to improvement in the living conditions of the local people. The Local Government Law, 1988 (PNDC Law 207) was enacted to give legal backing to the decentralisation process. Central administrative authority was to be devolved to the district level. Twenty-two functional areas of government were to be fused at the sub-national and local levels into one administrative unit. The decentralisation process was to be total, including political decentralisation, administrative decentralisation, fiscal decentralisation, and planning decentralisation ([Government of Ghana, 1999](#); [CIDA, 2002](#); [Inanga and Osei-Wusu, 2004](#)).

Fiscal Decentralisation in particular, is a critical component intended to facilitate the implementation of the entire decentralisation policy and to give it practical effect. It has been described variously as the “fourth leg”, the “prime mover” or the “driving force of success” of

the programme of decentralization in Ghana (CIDA., 2002). This is because for decentralised institutions to perform the responsibilities devolved to them, they need resources (Parker, 1995). In Ghana, the central government usually transferred functions to the local levels without transferring the accompanying means. The problem of financial resource scarcity was common among district authorities which made it more difficult for them to deliver and maintain the expected volume and standard socio-economic services to the localities. This tended to constrain the growth and development of the localities (Kessey, 1995).

It may however be argued that if responsibilities and tasks are to be decentralised, then they must be accompanied by a corresponding fiscal reform to strengthen local government finances. Decentralisation needs to be accompanied by resources especially funds to ensure its success since District Assemblies are responsible for Ghana's infrastructural and political development. Finance is thus, the life-blood of every organisation which decentralised administrative set up is no exception. Since no organisation can successfully perform its functions without financial resources, it is more expedient to identify how the concept of decentralisation in Ghana is financed; or the extent to which local governments are fiscally independent. How do the District Assemblies generate their own revenue to commensurate their responsibilities as the cutting-edge or the immediate agents of grass root development? One of the five pillars of Ghana's decentralisation is fiscal decentralisation. It comprises the assignment of responsibilities, including sectoral functions, as well as the assignment of own-source revenues to sub-national governments (Smoke, 2003). Fiscal decentralisation ensures the transfer of adequate financial resources from the Central to local governments with sufficient autonomy to allocate and utilise these resources in the provision of socio-economic services.

This paper assesses the impact of the DACF on internally-generated revenue mobilisation. It seeks to find out the extent to which the introduction of the DACF has influenced local revenue generation capacities of the District Assemblies. In this regard, the discussion covers the legal authority, nature and attributes of the DAs financial resources for development. Specifically, the study seeks to analyse District Assemblies' local revenue performance vis-à-vis their share of the DACF.

2. SCOPE OF THE RESEARCH

The DACF has been operational in Ghana since 1994. The period from 1994 to 1998 has therefore been chosen for the research of fiscal decentralisation and for that matter the DACF in Ghana. This period is considered long enough to reveal any impacts and lapses of the DACF on the IGF of the study districts. Where appropriate, developments during the period immediately before the introduction of the DACF, that is, 1990 to 1993, were examined for purposes of comparison. The focus of the research is on the two Upper Regions of Ghana, that is, the Upper East and the Upper West Regions. The relatively high level of poverty and deprivation in these regions require higher levels of development interventions if the prevailing undesirable situation is to be addressed or redressed (Ghana Statistical Service, 1995; Songsore and Denkabe, 1995). The developmental needs and expectations of the people of the two regions are enormous and the District Assemblies therefore have the onerous task of promoting improvement in their general

welfare and the quality of life. This paper focuses on the revenue performance of the districts from 1994 to 1998. A second paper will take into account the immediate preceding years before Ghana signed up to the Highly Indebted Poor Countries (HIPC) Initiative and period during the initiative. Thus the second paper will take into account three main variables, the DACF, the internally-generated funds (IGF), and the HIPC Funds.

3. THE BASIS OF THE DACF

In Ghana, it has been realised that the issue of fiscal decentralisation is one of the main causes of the failure of successive local government systems in the country (Asibuo and Nsarkoh, 1994; Kesse, 1995). The central government usually transferred functions to the local levels without transferring the accompanying means. The problem of financial resource scarcity common among district authorities which made it more difficult for them to deliver and maintain the expected volume and standard socio-economic services to the localities.

It may however be argued that if responsibilities and tasks are to be decentralised, then they must be accompanied by a corresponding fiscal reform to strengthen local government finances. There has been the tendency to exaggerate the difficulties of decentralising central government's fiscal policy and thus justifying centralised fiscal control. Nonetheless, given the numerous responsibilities assigned to local authorities in Ghana, Kesse (1995) contends that:

“This shows the necessity to grant some level of fiscal empowerment to all local governments in less developed countries (LDCs). They should not be kept as spending agents of the central government”.

It is against this background that the DACF was introduced in Ghana as part of efforts to operationalise decentralisation and to address the perennial problem of inadequate finance for local development. Article 252 of the 1992 Fourth Republican Constitution made provision for the establishment of the DACF. The Constitution stipulates that the Fund, which should represent not less than five percent of the total revenues of Ghana (excluding loans and grants), should be allocated to District Assemblies for the promotion of local level development (Republic of Ghana, 1992). The DACF was instituted in July 1993 with the enactment of Act 455 by Parliament. Through the Common Fund, additional financial resources are provided to DAs in support of their development efforts, that is, the undertaking of local development projects (Republic of Ghana, 1993a).

The DACF presently represents a major channel for the Government's development assistance to the districts. With the introduction of the District Assemblies' Common Fund, for the first time of their existence, the DAs have been confronted with the task of administering large sums of money for development. The transfer of these substantial funds from the DACF imposes great responsibility on the DAs IGR capacity. How resources of the Fund are influencing the IGF of the DAs is the focus of this study.

3.1. Legal Authority

The District Assemblies in Ghana are charged with the responsibility of developing their communities (Local Government Act, 1993, Act 462, Section 10). Accordingly, Act 462

(Section 94) empowers them to raise revenue to finance development activities. Specifically, by Section 95 of the Act, District Assemblies are the rating authorities for the district with the mandate to make and levy rates. A number of general rating instruments have also been offered by the Act (Republic of Ghana, 1993b). These instruments define the broadness of the financial responsibility given to the Assemblies. The next section reviews these rating instruments.

3.2 General Rating Instruments

A District Assembly, according to Section 96 of Act 462, has the authority to levy general rates on immovable property, possessions and persons as well as special rates for special projects in the district. The main rating instruments identifiable are property rate, possession tax and basic/head/poll tax. Others are income tax, licences, user charges and rents, loans, general community levies and inter-governmental transfers (Republic of Ghana, 1993b). Figure 1 presents a summary of the sources and the associated discretionary powers given to the District Assemblies over spending from these sources.

District Assemblies are generating revenues from sources such as fees and fines, licences, rents, investments and others (Nadowli District Assembly, 1996; Sissala District Assembly, 1996). The problems associated with the generation of revenue from these sources by the study districts include:

- Low staffing and logistical capacity of the revenue collection administration of the districts
- High poverty levels making it difficult for the District Assemblies to raise enough revenue
- Poor natural resource base leading to low revenue generation from royalties.

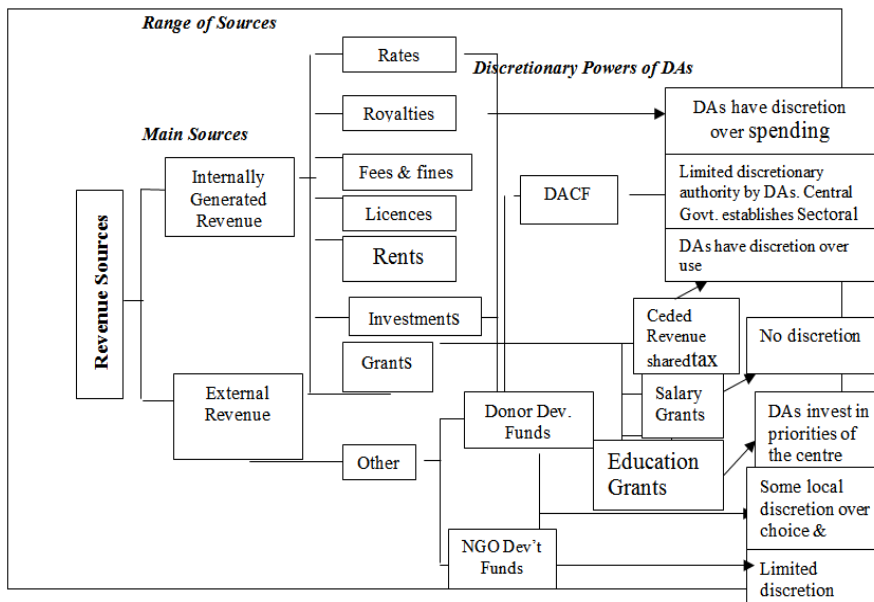


Figure-1. District Assemblies' Sources of Revenue and Discretionary Authority
 Source: Adapted From Kroes and Korkor (1995)

4. STRUCTURE OF DISTRICT ASSEMBLIES' REVENUE

In this section, the revenue structure of the DAs is assessed to determine the significance of the sources in generating the requisite resources for development. A critical examination of the trial balances of the study districts shows that income receipts come from four main sources, namely; internally generated revenue (derived from assigned sources by law), share of the District Assemblies Common Fund (DACF), specific grants (comprising ceded revenue, salary grants, relief grant, and education grant), and others (made up of donor support fund, budget surpluses and funds from Non-governmental Organisations). The DACF and specific grants together constitute the central government transfers to the districts.

The data in Tables 1 to 6 show the prominence of transfers, especially the DACF, in the income of the Assemblies. For purposes of comparison, the time period has been divided into two; 1990–1993 and 1994 – 1998. This has been done to show the now dominant position of the DACF since its inception in 1994.

Table-1. Revenues by Source and Amount: Bolgatanga District Assembly (1990-1998)

Source	Amount (in millions of cedis)								
	1990	1991	1992	1993	1994	1995	1996	1997	1998
IGR	73.09	69.36	75.51	69.64	87.80	132.90	175.66	187.47	178.19
DACF	-	-	-	-	120.30	457.69	727.73	694.32	1,222.27
Grants	-	8.01	32.06	9.01	94.01	146.81	158.94	237.60	456.70
Others	6.30	10.91	10.10	26.92	11.68	72.90	127.70	96.70	44.50
TOTAL	79.39	88.28	117.67	105.57	313.79	810.30	1190.03	1216.09	1,901.66

Source: Field Survey, 2001

Table-2. Percentage Contribution of Revenue Sources: Bolgatanga District Assembly

Source	1990	1991	1992	1993	1994	1995	1996	1997	1998
IGR	92.06	78.57	64.17	65.97	27.98	16.40	14.76	15.42	9.37
DACF	-	-	-	-	38.33	56.48	61.15	57.09	64.27
GRANTS	-	9.07	27.25	8.53	29.96	18.12	13.36	19.54	24.02
OTHERS	7.94	12.36	8.58	25.50	3.73	8.00	10.73	7.95	2.34

Table-3. Revenues by Source and Amount: Sissala District Assembly (1990-1998)

Source	Amount (in millions of cedis)								
	1990	1991	1992	1993	1994	1995	1996	1997	1998
IGR	8.15	8.94	7.99	8.14	20.35	23.86	62.33	123.73	143.63
DACF	-	-	-	-	110.20	226.90	459.01	496.40	1,128.86
GRANTS	-	3.01	24.32	25.56	22.24	32.60	70.29	80.69	123.19
OTHERS	3.39	4.49	3.07	4.95	9.43	52.91	114.25	158.87	21.12
TOTAL	11.54	16.44	35.38	38.65	162.22	336.27	705.88	859.69	1,416.68

Table-4. Percentage Contribution of Revenue Sources: Sissala District Assembly

Source	1990	1991	1992	1993	1994	1995	1996	1997	1998
IGR	70.62	54.38	22.58	21.06	12.54	7.10	8.83	14.39	10.14
DACF	-	-	-	-	67.93	67.48	65.02	57.74	79.68
GRANTS	-	18.31	68.74	66.13	13.72	9.69	9.96	9.39	8.69
OTHERS	29.38	27.31	8.68	12.81	5.81	15.73	16.19	18.48	1.49

Table-5. Revenues by Source and Amount: Nadowli District Assembly

Source	Amount (in millions of cedis)								
	1990	1991	1992	1993	1994	1995	1996	1997	1998
IGR	10.90	24.26	11.18	11.75	11.98	23.76	54.37	69.79	66.58
DACF	-	-	-	-	154.60	581.90	570.14	603.39	1,615.64
GRANTS	1.83	6.37	23.05	27.33	31.87	35.58	55.50	58.38	120.05
OTHERS	6.92	3.37	1.64	2.88	7.62	-	262.27	525.93	32.94
TOTAL	19.65	34.00	35.87	41.96	206.07	540.04	942.28	1257.49	1,835.21

Table-6. Percentage Contribution of Revenue Sources: Nadowli District Assembly

Source	1990	1991	1992	1993	1994	1995	1996	1997	1998
GR	55.47	71.35	31.17	28.00	5.81	4.40	5.77	5.55	3.63
DACF	-	-	-	-	75.02	89.01	60.51	47.98	88.04
GRANTS	9.31	18.74	64.26	65.14	15.47	6.59	5.89	4.64	6.54
OTHERS	35.22	9.91	4.57	6.86	3.70	-	27.83	41.83	1.79

On the average, IGR constituted about 55% of the total revenue of the Assemblies during the period, 1990-1993. Central Government transfers, made up mainly of specific grants, accounted for almost 30%, with the remaining 15% coming from other sources. The trend, however, changed between 1994 and 1998. Central Government transfers contributed, about 65% of the total revenue of the districts during the period. The IGR's contribution declined to about 13%, whilst other sources increased to about 22%. The dominating importance of Central Government transfers in total local receipts is not peculiar to the three districts. Studies by [Korkor \(1991\)](#) and [Kessey \(1995\)](#) showed a similar structural pattern in income for Tamale Municipal Assembly (59.5%), Krachi District Assembly (52.4%), Accra Metropolitan Assembly (30.9 %) and ShamaAhanta East Metropolitan Assembly (43.2%). The statistics further show that the districts exhibit similarity in structures. For Bolgatanga district, between 1990 and 1993, IGR constituted 75% of total revenue receipts. This, however, dropped to about 17% in the 1994 – 1998 period. The IGR contribution for the other districts reflected the same trend. The contribution from IGR was 42% for the Sissala district and 47% in the case of the Nadowli district during the period, 1990-1993. Between 1994 and 1998, there was a decline in the IGR for these two districts, to 10.6% for the Sissala district and 5.03% for the Nadowli district. From Tables 1-6, it is evident that the contribution of specific grants in the structure of the District Assemblies' revenue started declining after 1993/1994. For example, in the Sissala district, specific grants' contributions,

after peaking at about 69% in 1992, dropped to about 9% in 1998. Similarly, the contribution of the specific grant for the Nadowli and Bolgatanga districts dropped from 64.26% to 6.54% and 68.74% to 8.69% respectively in the same period.

4.1. The Effect of DACF on Revenue Collection Performance

The release of the DACF to the districts has been observed to assume an important status in the financial structure of the DAs. According to Kessey (1999) the release of the DACF to the DAs has led to a relaxation in their efforts at mobilising IGR. This makes it imperative to draw a relationship between the performance of DACF and IGR in these districts. Table 7 gives an indication of the importance of the DACF in the financial structures of the DAs. The statistics presented in the table show that, on the basis of total receipts, the contribution of IGR to the combined receipts from all the sources varied among the three districts. For example, IGR as a percent of total receipts for the Bolgatanga District between 1994 and 1998 declined from 27.9% in 1994 to 9.4% in 1998, a decrease of about 66% (Bolgatanga District Assembly, 1996). In the case of the Sissala and Nadowli districts the decline was 19.1% and 37.5% respectively over the period.

In separate discussions with the Budget and Planning Officers of the districts, they indicated that the decline could be due to the fact that during electioneering activities in 1996, the government cut down on the DACF allocations so that enough resources will be available to government to organise the elections. This could be the case because in 1998 the allocations to the DAs increased again. On the whole, however, these results imply that the DACF, since its inception, has become a very important source of revenue to the Assemblies. Thus, from the statistics, it can be contended that the IGR performance has been overshadowed by the quantum of the DACF released to the DAs. There also seems to be some effect of the DACF on the collection of the IGR of the DAs, notably the Bolgatanga district. To substantiate this, an assessment of the IGR performance needs to be conducted. This constitutes the focus of the next section.

Table-7. Contribution of Revenue Sources to District Assemblies’ Finances (1994 - 1998)

Revenue Sources	DISTRICT		
	Bolgatanga	Sissala	Nadowli
1994			
• IGR Receipts (%)	27.98	12.54	5.81
• DACF Receipts (%)	38.33	67.93	75.02
• Grants (%)	29.96	13.72	15.47
• Others (%)	3.73	5.81	3.70
Total	100.0	100.0	100.0
1995			
• IGR Receipts (%)	16.40	7.10	4.40
• DACF Receipts (%)	56.48	67.48	89.01
• Grants (%)	18.12	9.69	6.59
• Others (%)	8.0	15.73	NA
Total	100.0	100.0	100.0
1996			

Revenue Sources	DISTRICT		
	Bolgatanga	Sissala	Nadowli
• IGR Receipts (%)	14.76	8.83	5.77
• DACF Receipts (%)	61.15	65.02	60.51
• Grants (%)	13.36	9.96	5.89
• Others (%)	10.73	16.19	27.83
Total	100.0	100.0	100.0
1997			
• IGR Receipts (%)	15.42	14.39	5.55
• DACF Receipts (%)	57.09	57.74	47.98
• Grants (%)	19.54	9.39	4.64
• Others (%)	7.95	18.48	41.83
Total	100.0	100.0	100.0
1998			
• IGR Receipts (%)	9.37	10.14	3.63
• DACF Receipts (%)	64.27	79.68	88.04
• Grants (%)	24.02	8.69	6.54
• Others (%)	2.34	1.49	1.79
Total	100.0	100.0	100.0
Annual Average Contribution (1994-1998)			
• IGR (%)	16.79	10.60	5.03
• DACF (%)	55.46	67.57	72.11
• Grants (%)	21.00	10.24	7.83
• Others (%)	9.27	11.54	15.03

Source: Calculated from Financial Records of the Bolgatanga, Sissala and Nadowli Districts Assemblies (1994-1998)

4.2. The Performance of the IGR in District Assemblies' Finances

The performance of the IGR in DA finance is very important as it helps to determine the efficiency and effectiveness of the revenue collection system. The Revenue Collection Index (RCI), which measures the ratio of actual revenue collected to the estimated budget of the DAs is shown in Table 8.

Table-8. Revenue Collection Indices for the Study Districts (1990 – 1998)

District	Revenue Collection Index (%)										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1990-1993	1994-1998
Bolgatanga	112.9	120.6	209.7	84.8	85.9	69.9	75.0	82.8	61.9	124	75.1
Sissala	59.0	39.1	28.1	27.6	59.9	67.9	158.4	129.0	170.6	38.2	117.2
Nadowli	91.1	57.6	61.0	62.9	64.0	124.9	235.3	129.5	95.4	68.2	129.8

Source: Calculated from Trial Balances of Bolgatanga, Sissala and Nadowli District Assemblies (1990-1998)

It can be seen from the statistics in Table 8 that the overall collection index declined during the period, 1990-1998 for the Bolgatanga district whilst the Sissala and Nadowli districts registered increased rates. For the Bolgatanga district, the collection rate dropped from almost 113% in 1990 to 62% by the end of 1998. In the case of the Sissala and Nadowli districts, the rate increased from 59% to 171% and 91% to 95% respectively, over the period.

The sharp increase in collection index in 1992 for the Bolgatanga district was attributed to bumper harvest, which was experienced in that year. This was confirmed by the District Planning Officer and the District Director of Agriculture. In the case of the Sissala district, the District Planning Officer indicated that the high revenue collection indices from 1996 to 1998 were accounted for by training programmes, which were organised for the Assembly’s 24 revenue collectors and the involvement of the Unit Committees in revenue collection. As was the case in the Sissala district, the Planning Officer of the Nadowli District Assembly ascribed similar reasons for the high revenue collection indices recorded from 1995 to 1997.

Before the inception of DACF (1990-1993), the average revenue collection index for Bolgatanga was 120%, but dropped to slightly over 73% during the period of the DACF. The Sissala and Nadowli districts, however, presented a different picture. The rates for the two districts saw improvements from 35% in 1990-1993 to 130% in 1994-1998 for Sissala, and from 63% in 1990-1993 to 123% in 1994 –1998 in the case of Nadowli district. The Budget Officers of the Nadowli and Sissala districts ascribed the involvement of Unit Committee members in revenue collection as the reason for the high revenue collection indices recorded from 1995 to 1997. In the case of the Bolgatanga district, the Planning and Budget Officer indicated that the explanation for the decline in the RCI was that the Bolgatanga District Assembly over estimated revenue targets for the period.

4.3. Relationship between DACF and IGR Collection Efforts

The analyses so far have revealed that the revenue collection efforts of the three study DAs have changed (either positively or negatively) since the inception of the DACF. Table 9 shows the calculation that was done in order to establish the relationship between the DACF and the internally generated revenue of the districts.

Table-9. Results for Correlation Coefficient and Coefficient of Determination Analysis

District	Degree of Association	
	Correlation Coefficient	Coefficient of Determination
Bolgatanga	-0.638	0.407
Sissala	0.330	0.109
Nadowli	0.060	0.003

The positive relationship for the Sissala and Nadowli Districts is partly explained by the commitment of resources to the training of revenue collection staff and the recruitment of additional revenue collectors financed from the DACF. There was no evidence of similar effort in the Bolgatanga district. In addition, investments with high propensities for generating revenue were financed from the DACF by the Sissala and Nadowli DAs. These included the construction of a District Assembly Canteen, a Guest House and new markets in the Nadowli district and the overhauling of corn mills and construction of markets (Bugubelle and Tumu) in the Sissala district. Even though the Bolgatanga District Assembly implemented projects of such kind such as the construction of a market in Sumbrugu from its DACF, the Planning Officer and the District Coordinating Director for the district indicated that the IGR had been declining over the years

due to the poor revenue collection administration of the district. They emphasised that the DACF was seen by the local taxpayers as a substitute for local revenue generation hence the negative relationship between DACF and IGR in the district.

Since there are other determinants of the revenue collection efforts of districts besides the DACF, there was the need to ascertain the degree of relationship between IGR collection efforts and the DACF, using the correlation coefficient and the coefficient of determination (See Table 9).

The results of the correlation co-efficient even though low, confirm that indeed there exists a relationship between IGR collection efforts of the DAs and their DACF inflows. The co-efficient of determinations have also revealed that the effect of the DACF inflows on the IGR collection efforts is more pronounced in the Bolgatanga district than the Sissala and Nadowli districts. Whilst Sissala and Nadowli exhibit a positive relationship, Bolgatanga shows a negative linear relationship. This means that for the Sissala and Nadowli districts, an increase in DACF leads to a corresponding increase in IGR collection efforts. For Bolgatanga however, an increase in DACF leads to a decrease in the IGR collection efforts.

The results imply that 41% of the decrease in IGR in the Bolgatanga district is explained by the introduction of the DACF. On the other hand, 11% and 0.3% of the increases in IGR in the Nadowli and Sissala districts respectively are attributable to the introduction of the DACF. The remaining factors are attributable to the IGR collection mechanism and management systems of the District Assemblies.

4.4. IGR Collection Mechanisms and Management Systems

To start with, the revenue administration structures of the three districts are fraught with some problems, which grossly affect their revenue collection efforts. In the case of the Sissala and Bolgatanga districts tax collectors paid directly to the District Finance Officers as and when they were able to collect a certain fixed amount. The system, according to the districts' Finance Officers led to leakages, which affected the internally generated revenue of the districts. In the Nadowli district, a multiplicity of payment procedures existed. Tax collectors made payments to the Area Councils for onward payment to the District Assembly. These intermediary stages exposed the revenue collection system in the Nadowli district to leakages thus affecting the internally generated revenue. Four members of the Area Councils in the district testified to this situation.

During the field survey, the District Finance Officers of the three District Assemblies identified inadequate logistics for revenue collectors, general reluctance of taxpayers in paying taxes and poor remuneration as significantly affecting the revenue collection efforts of the districts. Even though it was revealed that the Ministry of Local Government and Rural Development (MLGRD) had given the districts vehicles for revenue collection, it was indicated that the vehicles were used mostly by the District Chief Executives (DCEs). As a consequence, revenue collectors were unable to make wider coverage in their areas of operation thus affecting the internal revenue generated. According to the District Finance Officer (DFOs), people were generally reluctant to pay taxes because they felt the DAs were not satisfying their needs. In a

similar study conducted by Action (2002) it was revealed in five districts that their internally generated revenue was generally grossly low due primarily to the afore-mentioned factors.

The foregoing discussions have shown the nature of the relationship existing between IGR and the DACF in all the study districts. The problems militating against revenue collection efforts and management systems have also been identified. Nevertheless, the inception of the DACF has led to the restructuring of the expenditure pattern of the DAs with the emphasis being on development projects. The impact of the DACF on the expenditure pattern of the DAs is the subject of discussion in the next section.

5. SUMMARY OF STRUCTURE AND PERFORMANCE OF REVENUE

Following an analysis of the three districts, the following key findings emerged:

- (i) The share of internally generated revenue (IGR) of total income declined in all the District Assemblies. For the Bolgatanga district, it dropped from 75.2% (1990 –1993) to 16.8% (1994 –1998), whilst for the Sissala and Nadowli districts, the IGR share declined from 42.2% (1990 –1993) to 10.6% (1994 – 1998) and 46.5% (1990 –1993) to 5.0% (1994 –1998) respectively.
- (ii) Central transfers have a dominating importance in the structure of the District Assemblies' revenue. Of these transfers, the DACF constitutes, on the average, for the three districts, 65% of the total income available for the period 1994 –1998.
- (iii) In terms of the effect of the DACF on local revenue collection, the overall collection rate of IGR declined during the period 1990 – 1998 for the Bolgatanga district whilst the Sissala and Nadowli districts registered increased rates. Before the inception of the DACF (1990 – 1993), the average collection rate for the Bolgatanga district was 12%, but dropped to slightly over 7.3% during the period of the DACF (1994 – 1998). The Sissala and Nadowli districts however saw improvements from 35% (1990 – 1993) to 130% (1994 – 98) and 63% (1990 – 93) to 123% (1994 – 98) respectively.
- (iv) The IGR collection efforts of the three study districts changed in real terms since the inception of the DACF. The contribution of the DACF to this change in the IGR collection efforts by the districts is very pronounced in the case of the Bolgatanga (41%) district and insignificant in the case of the Sissala (11%) and Nadowli (0.3%).

6. CONCLUSIONS

The high proportion of the DACF contribution to the revenue situation of the three districts implies that all the districts have very weak revenue structures. This can slag the districts' development efforts if measures are not taken to reverse this trend. Moreover, the fact that there still exist some negative development indicators in the districts, even though some investments have been made on development projects from the DACF, implies that the District Assemblies cannot wholly depend on the DACF alone but rather must put the relevant structures in place to expand their local revenue base.

Based on the above analysis on the DACF and the Internal Generated Revenue mobilisation, it has been established that there exists a relationship between the District Assemblies' Common

Fund and Internally Generated Revenue. The study also revealed some lapses and deficiencies associated with the DACF at the National, Regional, District and Community levels. The emerged issues and the lessons learnt will not only contribute to the debate on decentralisation in general, but will, to a greater extent also improve on the operationalisation of fiscal decentralisation in the country.

Based on the findings and conclusions, the study has revealed some useful lessons for fiscal decentralisation and local governance in Ghana and elsewhere. The key lesson is that, the huge inflow of central grants to the District Assemblies has had mixed effects. Some of these effects are: a) reduction in locally-generated revenue and, b) expansion in the coverage of socio-economic infrastructure. The significance of the effect on locally generated revenue collection efforts is dependent on the revenue collection mechanisms in place.

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