

**REPUBLIC OF NAMIBIA**



**MINISTRY OF REGIONAL AND LOCAL  
GOVERNMENT AND HOUSING**

**A REPORT OF  
THE STUDY TOUR TO UGANDA AND  
GHANA ON DECENTRALIZATION BY  
A DELEGATION FROM NAMIBIA**

**FROM 23RD - 28TH FEBRUARY 1998**

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## APPENDIX

## ACRONYMS

ALAN	The Association of Local Authorities of Namibia
CAO	Chief Administrative Officer
DANIDA	The Danish Agency for International Development
DSC	District Service Commission
FAD	Financial Administration Decree
FAR	Financial Administration Regulations
H.E.	His Excellency
LGFC	Local Government Finance Commission
MOLG	Ministry of Local Government
MPS	Members of Parliament
NDPC	National Development Planning Commission
Noes	Non Governmental Organizations
NRM	National Resistance Movement
PSC	Public Service Commission
NDA	National Drug Authority
RCC	Regional Coordinating Council
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Childrens Fund
UPE	Universal Primary Education

**THE STUDY TOUR TO UGANDA AND GHANA ON**  
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**1.0 INTRODUCTION**

1.1 A delegation from Namibia, headed by the Minister of Regional, Local Government and Housing, Hon Dr Nicky Iyambo and comprising officials from central, regional and local governments as indicated here below visited Uganda and Ghana from 23<sup>rd</sup> February, 1998 to 28<sup>th</sup> February, 1998.

- Office of the Prime Minister
- Ministry of Finance
- National Planning Commission
- Ministry of Health and Social Services
- Ministry of Basic Education and Culture
- Ministry of Regional, Local Government and Housing
- Association of Local Authorities of Namibia (ALAN)
- Erongo Regional Council.

1.2 The aim of the study tour was to afford members of the delegation the opportunity to learn from the countries to be visited their experiences under decentralization, focusing on milestones and challenges experienced by them under the decentralization reform. It was hoped

that the experiences and lessons learnt during the study tour would help guide the implementation of decentralization in Namibia. This was more particularly so as kick starting the implementation of decentralization reform in the country was scheduled for the beginning of April 1998.

The one-week study tour was carried out as follows:

- (i) Uganda, 23<sup>rd</sup>-25<sup>th</sup>, February 1998.
- (ii) Ghana, 25<sup>th</sup>-28<sup>th</sup>, February 1998.

1.3 Areas of main focus during the study tour included the following:

- (i) Center-Local relationship between the central government and the local governments especially in relation to personnel and finance matters. For example,
  - The implication of making the public service smaller by transferring the "excess" personnel to the lower levels of government; the level of government which is best suited to meet the salaries of such personnel, central government or lower level governments.
  - Where under decentralization personnel follow functions it is likely to lead to a reduction on the central government budget while at the same time easing the pressure on its bloated establishment.

- (ii) Financing of decentralization- The contributions that the lower levels of government make in the financing of decentralization especially in relation to local revenue; the financing portfolio of central government in relation to decentralized functions and sorting out the disparities which may exist among the various levels of governments.
- (iii) The experience relating to organization of personnel matters under decentralization-how successful has been the personnel option adopted under decentralization.
- (iv) The experience relating to human resources development for decentralization in respect of regional and local governments to enable them run decentralized services; the relationship between central government agencies in the regions (districts), the regional/district councils, the chief executive officer of the district/ region and the chairperson of the district.
- (v) Responsibilities of regional and local governments in collecting taxes and therefore contributing to financing of decentralization.
- (vi) General impression on the participation of the local community in the decentralization process.
- (vii) Written reference materials of relevance to decentralization reform.

#### 1.4 While in Uganda the delegation:

- Met and held discussions with Central Government officials namely the Minister of Public Service, Hon. Apollo Nsibambi, the head of the civil service office of the president, Mrs. F. Mugasha; the Chairperson of the parliamentary committee on Public Service and local governments, Hon. Obiga Kania, officials from the Ministry of Local Government and the Local Government Finance Commission and the Minister of Health, Hon. Dr. C. Kiyonga.
- Toured the district of Mukono in general and Nagojje sub county in Mukono in particular during which they were able to meet and hold discussions with the local government officials on matters relating to decentralization implementation in the district.

#### 1.5 While in Ghana the delegation:

- Made a courtesy call on the Vice President who briefed them on the decentralization process in the country.
- Met and held discussions with the Minister of Local Government.

Met and held discussions with the Regional

Minister of Greater Accra; Mayor of Accra Metropolitan Assembly; officials of Tema Municipal Assembly and officials of the Ministry of Local Government and Rural Development.

## **2. DECENTRALIZATION IN UGANDA:**

### **2.1 General**

- The introduction of decentralization reform in Uganda was occasioned by the experience in the governance of the country prior to the coming into power of the National Resistance Movement (NRM) government in 1986, especially the period between 1967-1985 namely:
  - => Over centralized government system;
  - => Economic, political, social and cultural decay which climaxed into rapid decline in service delivery; loss of political accountability and transparency; lack of maintenance of socio-economic infrastructures and emergence of bad governance and poverty.
- Decentralization policy in the country was first conceived during the NRM peoples protracted war in early 1980s; its development and institution started in 1986; and the policy was formally launched in 1992, by H.E the President, Yoweri Kaguta Museveni.
- Decentralization was recognized as a prerequisite for

democratization; as a policy instrument for improving local democratic accountability, efficiency, equity, effectiveness and accountability in the provision of social services in the country.

- Besides the decentralization reform there are a series of other reforms which have been implemented concurrently in the country and all supportive of each other such as:
  - => Public Service reform which resulted in the right sizing (down sizing) of the Public Service through retrenchment of civil servants (reduction in number from 320 000 to 164, 000) who were given retrenchment packages; rationalization of ministries from 38 to 22 (a further reduction was in the making); rationalization of a living wage.
  - => Liberalization of the economy
  - => Privatization of the services and divestiture of non core government functions.
  - => Constitutional reform.
- The implementation of decentralization programme has been carried out by the government in Uganda in partnership with donor agencies namely; the Danish Agency for Internal Development (DANIDA), the United Nations Development Programme, (UNDP), World Bank. Other donors have given support to the programing indirectly by funding supplementary programmes.

## **2.2. System of Government in Uganda**

2.2.1 Public Administration in Uganda is based on a two tier system viz:

- (i) Central Government and its agencies such as line ministries, Inspector General of Government, Auditor General etc.
- (ii) Local Governments;

2.2.2 The system of Local Government in Uganda is based on the District as a unit under which there are lower local governments and administrative units;

- Local Governments are:
  - (i) District / City Council
  - (ii) Sub Country / City Division Council
  - (iii) Municipal Council / Municipal Division Council
  - (iv) Town Council
- The city is equivalent to a district and exercises all functions and powers conferred upon a district council.
- The Division is equivalent to Sub County and exercises all powers and functions conferred upon a Sub County.
- Local governments are body corporates and can sue and be sued.

- Although Urban authorities (Municipal Councils and Town Councils) are lower local Governments under a district, they have financial and planning autonomy.

2.2.3 The Council is the highest political authority within its area of jurisdiction and is headed by a Chairperson or a Mayor in the case of District and City/Municipal Councils respectively. There is a speaker who presides at meetings of the District Councils while the District Chairperson presides at meetings of the Executive Committee of the council.

2.2.4 The District chairperson serves as the political head of the District and has powers to:

- Preside at meetings of the District Executive Committee;
- Monitor the general administration of the district;
- Co-ordinate the activities of the municipal and town councils and of lower Local Governments and Administrative units;
- Oversee the performance of persons employed by the Central Government to provide services in the District and to monitor the provision of central government services or implementation of projects in the district;

- Co-ordinate and monitor central government functions between the District and Central Government;

2.2.5 The Chief Administrative Officer (CAO) who is the equivalent of the Regional Officer in the case of Namibia is the Head of the Public Service in the District, the head of the Administration and Accounting Officer of the District. The other duties of the CAO are:

- Responsible for the implementation of all lawful decisions taken by the District Councils;
- Give guidance to the Local Government Councils and their Departments in the application of the relevant laws and policies;
- Supervise, monitor and co-ordinate the activities of the District and lower councils' employees and Departments; and ensure accountability and transparency in the management and delivery of councils' services;
- Develop capacity for development and management of the planning function in the district;
- Supervise and co-ordinate activities of all delegated services and officers providing those services;

- Act as liaison officer between the District Council and the Central Government;
- Advise the Chairperson on the administration of the Council; and
- Assist in the maintenance of law, order and security in the district-

2.2.6 There is a Resident District Commissioner (RDC) for each District appointed by the President.

The functions of the RDC are to-

- (a) Represent the President and Government in the District;
- (b) Co-ordinatate the administration of Government services in the District;
- (c) Advise the District Chairperson on matters of a national nature that may effect the District or its plan or programmes, and particularly the relations between the District and the Government;
- (d) Monitor and inspect the activities of Local Governments and where necessary advise the Chairperson;
- (e) Carry our such other functions as may be

assigned by the President or prescribed by Parliament.

The Resident District Commissioner may -

- (a) Sensitize the populace on governmental policies and programmes, and in so doing shall liaise with the District Chairperson;
- (b) Advise the Chairperson to instruct the Chief Internal Auditor to carry out special audit where necessary and submit to the Council;
- (c) Draw the attention of the Auditor General to the need for special investigation audits of the Local Government Councils;
- (d) Draw the attention of the Inspector General of Government to a need to investigate any cases of mismanagement or abuse of office;
- (e) Draw the attention of any relevant line Ministry to the divergence from or non-compliance with Government policy by any Council within his or her areas of jurisdiction;
- (f) In consultation with the Speaker or chairperson of a Council as the case may be, address the Council from time to time on any matter of national importance.

## The objectives of decentralization in Uganda

The objectives of decentralization in Uganda are to -

- Transfer real power to districts and thus reduce the work load on remote and under resourced central government officials;
- Bring political and administrative control over services to the point where they are actually delivered, thereby improving accountability and effectiveness, promoting peoples feelings of ownership of programmes and projects executed in their districts;
- Free local managers from central constraints and as a long term goal, allow them develop organizational structures tailored to local circumstances;
- Improve financial accountability and responsibility by establishing a clear link between the payment of taxes and provision of services they finance; and
- Improve the capacities of the councils to plan, finance and manage the delivery of services for their constituents.

## **Legal Framework**

- The Principal Legal basis for the decentralization policy in the country in order of precedence are:
  - (i) The Resistance Councils and Committees Statute 1987
  - (ii) The Local Governements (Resistance Councils) Statute, 1993
  - (iii) The Constitution of the Republic of Uganda, 1995
  - (iv) The Local Governments Act, 1997.
- The Local Governments Act, 1997 was enacted to give full effect to the provision of the 1995 Constitution under Article 206 (1) which specifies that parliament shall make laws relating to Local Government. The objectives of the Act are to-
  - (i) give effect to decentralization of functions, powers, responsibilities and services to all levels of local governments;
  - (ii) ensure democratic participation and control of decision making by the people concerned;
  - (iii) establish democratic, political and gender sensitive set up in local governments;
  - (iv) establish sources of revenue and financial accountability; and
  - (v) provide for election of local councils. .

- The existence of the legal basis for decentralization is one of the justifications for the progress so far made in the implementation process. It was only with the enactment of the law, the Local Governments (Resistance Councils) Statute, 1993 that decentralization implementation got on course and gained momentum,

### **Political decentralization**

- Political decentralization in Uganda has been realized. All the local governments have governmental characters including political, executive and legislative powers. They are also body corporate i.e. can sue and be sued.
- Each Council (with its members elected directly through universal adult suffrage every four years) has relative autonomy in decision making, budgeting and approval of budgets.
- Urban Councils have autonomy over their planning and financial matters in relation to the districts where they are situated.
- Subcounty Councils retain a minimum of 65% of locally raised revenue collected by them and have discretion in utilization of the funds for local development. This discretion was very much evident in Nagojje subcounty in Mukon district

which was visited by the delegation. Nagojje subcounty council has put up a health unit and staff houses using part of the 65 % retention.

## **2.6 Financial decentralization**

### **2.6.1 Uganda Model**

- Uganda now has 45 districts, while the number was 39 at the start of decentralization implementation. Financial decentralization was implemented only in 13 districts during the 1993/94 financial year, 14 districts during the 1994/95 financial year and 12 Districts during the year 1995/96; By 1997, all aspects of decentralization in Uganda including financial decentralization were implemented in all the 45 districts. It must be noted that only the recurrent budget was decentralized and to date, Government is still looking at ways to decentralize the Development Budget.
- The release of funds which initially took place under a "vote system" during the first year was later transformed into "block grants" in the 2<sup>nd</sup> financial year of financial decentralization, for the first 13 districts. All the 45 districts are now on " block grant" system.

## 2.6.2 The Constitutional Provisions

- The Constitution of the Republic of Uganda has made provision for three types of financing decentralization in the country namely,
  - (i) Power to levy, charge, collect and appropriate taxes by local governments (internal/own revenue).
  - (ii) Central Government financial transfer (grants).
  - (iii) Loans by local governments.

The Constitution also provides for the grants system which has three types of grants to enable Local Governments meet their obligations namely,

### **(i) Unconditional Grants**

- Unconditional Grants are the most important type of grants Local Governments receive from the Central Government. The grant is paid to them to run decentralization services and is disbursed using a formula (area and population weighted). It enables the Local Governments to determine their priority areas while taking into consideration the National Priority programme Areas as defined by the centre. The grant does not affect independence of Local Governments, since the National Priority Programmes would be the same as those of Local Government in most cases.

The freedom to make allocations based on their identified priorities is quite a challenge to Local Governments and the population as a whole. The budgeting process is supposed to involve the local population as much as possible. The Councillors who represent the various constituencies are supposed to make consultations as the budget cycle evolves each year up to the time of approval by the full Councils.

Unconditional Grants are remitted to the following levels of Councils:

District Councils  
City Councils  
Municipal Councils  
Town Councils

### **Conditional Grants**

Conditional Grants consist of moneys given by the central government to finance programmes agreed upon between the central government and the local governments. The Central Government is supposed to negotiate with the Local Governments on modalities and general conditions governing such grants. Local Governments have no powers to re-allocate it to any other activity without the authority of the concerned sector ministry. These grants are specially allocated to the Local Government to cover priority areas such as:-

- (i) Universal Primary Education (UPE)
  - (ii) Feeder Roads
  - (iii) Primary Health Care
  - (iv) Hospitals etc.
- 
- In the case of conditional grants for feeder roads for example, although the funds flow from the Ministry of Finance directly to the Local Governments in the same way the Universal Primary Education funds do, the conditions for utilizing the same are set by the Ministry of Local Government while the conditions for utilizing UPE funds are set by the Ministry of Education.
  - Conditionalities for the funds include production of financial statements by the respective Local Governments which are submitted to the line Ministry indicating how the funds have been utilised. The Line Ministry also inspects the works carried out before any additional funds are released. Funds can be released on quarterly basis or at intervals agreed upon, and also depending on conditions mentioned above i.e. financial statements, returns and inspection.

**(iii) Equalization Grants**

- The Constitution provides for equalization Grants. This type of Grant is paid as a subsidy or as a special provision for the least developed District. The

criteria is supposed to be developed based on the National Standards and equalization to be based on the degree to which a local government unit is lagging behind the national average standard for a particular service.

- It should be noted that all grants are remitted from Central government (Ministry Finance, Treasury Department) to the Local Governments (District, City, municipal and Town Council).

### **2.6.3 The Role of the Local Government Finance Commission in the Financing of Decentralization.**

- The Constitution has put in place through Article 194 of the Constitution, a Local Government Finance Commission, a body that is supposed to advise the President on Financial Matters affecting Local Governments namely:
  - (i) The distribution of revenue between the Central Government and Local Governments (Vertical Distribution);
  - (ii) The horizontal distribution of resources among the Local Governments.
  - (iii) Matters relating to Equalization and Conditional Grants. This is undertaken in consultation with the national Planning Authority;

- (iv) Local Governments own revenue potential;
- (v) Source of revenue and taxation powers of Local Governments; and
- (vi) The Commission is also supposed to advise the minister responsible for Local Governments and that responsible for Finance on financial matters relating to Local Governments and in particular in case of a dispute between Local Governments.

#### **2.6=4 Taxation Powers of Local Governments in Uganda**

- A suitable Local Government taxation system should be transparent and the tax-payer should be able to assess the benefits to be derived, and the cost involved. This would enable the local community to decide which tax to pay and why. It also increases demand for accountability from the local political leadership.
- In the case of Uganda the country's Constitution of 1995 and the Local Government Act, 1997, have clearly demarcated areas of taxation for Local Governments. Local Governments may levy, charge and collect fees and taxes including rates, rents, royalties, stamp duties, personal graduated tax, registration and licensing fees. Local Governments set tax levels to be charged.

- The Law has clearly defined the following areas as sources of local revenue for Local Governments:

**(i) Graduated Tax**

- Graduated Tax is a neutral tax and the most important for all Local Governments, particularly during the last twenty five years when Property Tax declined in importance for Urban Authorities. It reduces disposable individuals income, and the extent and effect depends on the individual tax-payer.

*Scale of tax*

- There are thirty seven scales, where every tax-payer falls. The minimum has been about U\$ 2.00. Such a scale is very rare. Most Local Governments now have the lowest scale U\$ 10.000, (equivalent) with the top bracket being at U\$ 80.00.

*Exemptions*

- The law allows those unsuitable to pay the tax<sup>to be</sup> exempted. Reasons for exemption are many and a Committee to exempt such persons is provided for in the law. Old age or disability are some of the reasons for exemption. Complete or partial exemption are provided for in the law. Graduated tax is payable by every adult person of 18 years and above - except in

the case of a woman where such a person must be engaged in "any gainful employment" or business.

**(ii) Property Tax**

- Another source of revenue for Local Governments to finance decentralized services is the traditional Property Tax. This source has been quite effective with all the qualities of a neutral tax, with minimal avoidance incidences until recently. It was the main source of revenue for Urban Authorities until in the 1970s.
- However, this source of revenue has now been extended to the rural Local Governments since 1993. The impact in the rural districts may not be felt soon, but in the long run it could prove to be another useful source of revenue.

**(iii) Other Sources of Revenue**

- Other sources of revenue exist for Local Governments to supplement transfers from the Centre, beside the two discussed above. These include:

**(a) Market Dues**

- Among the other sources of revenue which Local Governments are supposed to collect to support decentralization services, are the Market dues. In rural Local Governments, market dues are next to graduated tax.

Graduated tax is a leading source, both in the rural and Urban Local Governments. The principle behind market dues is a simple one. Local Governments are supposed to provide marketing facilities for the residents to either sell their goods or even serve or to buy whatever is required for their consumption. The tax levied is purely for providing such facilities. In urban areas, markets are well built. However in rural areas the same facilities may not be available in the rural markets. The exchange of goods and services for cash contributes to the growth of the economy. This is an important input by the Local Governments.

(b) Other Local Revenue

- A long list of other sources, though of less importance compared to market dues, also exist. These include:

=> Interest on investment.

=> Rent and rates on properties owned by Local Governments.

=> Annual bicycle licenses.

=> Fees, licenses and permits in respect of any services rendered by Local Governments and user-charges, among others.

(c) **Borrowing**

- Local Governments in Uganda are given borrowing" powers in order to finance decentralized services. However, these powers are quite restricted.

- Methods of borrowing as outlined in the law include the following-
  - => Issue of Debentures
  - => Issue of Bonds
  - => Direct borrowing from any commercial bank.

The following conditions apply:

A Local Government is not allowed to borrow what is more than 25% of its locally generated revenue;

The Minister responsible for Local Governments has to sanction the loan, if the amount to be borrowed exceeds the total amount a Local Government is entitled to borrow.

- => The Auditor General must have certified Books of Accounts of the previous year.
- => Funds must be invested in Priority Areas and the Executive Committee of the council must guarantee that the council shall meet its obligations despite the repayment of the loan. In particular, guarantee must be given that salaries shall be paid.
- => Apart from Central Governments transfers locally raised revenue and borrowing, Local Governments raise additional revenue through Donors or NGOs contributions, in general terms, to finance the decentralized services. A summary of comparative

fiscal decentralization in both Uganda and Ghana are as in Appendix II.

### **Personnel decentralization**

Persons/staff in the service of local governments are employed by the local governments, (i.e. separate personnel system). The power to appoint persons, including the power to confirm appointments, exercise disciplinary control and to remove persons from office is vested in the District Service Commission (DSC). The DSC is appointed by the respective district council with the approval of the national Public Service Commission (PSC) for a term of four years and are eligible for reappointment for one further term.

At the start of the implementation of decentralization policy all persons who were serving and were deployed in the districts (deconcentrated) got delinked from their parent ministries and were frozen in the districts where they were deployed. They automatically became employees of those districts and therefore constituted "seed capacity" for the local governments.

Public officers serving in the districts are protected against arbitrary dismissal and victimization or discrimination. District officers have a right to appeal to the nation Public Service Commission. The ruling of the PSC on appeal is final.

There exist standardized salary scales for both public officers in the central government establishment and those serving in the districts. In the case of transfer of service from the central government to a local government and vice versa the affected officer does not lose out in respect of pension and gratuity.

Delegated staff still exist in the districts in such areas as referral hospitals and national training institutions.

### **Centre-Local Relations**

The relations between Central Government and Local Governments are derived from the provisions of the constitution.

The powers, functions and services for which central government is responsible are provided for under Article 189 and the sixth schedule of the constitution. Districts and City have the most devolved powers. The power of Districts to deliver services now include primary and secondary education, hospitals, health centres, control of communicable diseases; the construction, rehabilitation and maintenance of roads; agricultural extension; district planning; land surveying; Physical"planning; community development; trade licenses; etc.

The powers, functions and services of Local Governments are also provided for in the constitution, under Article 189.

Local Governments possess considerable powers to manage local affairs and in the process exercise the following powers:

(i) Executive and political powers without making reference to central government:

=> Initiate and formulate policy for approval by Council.

=> Oversee the implementation of Central Government and Council policies, monitor and coordinate activities of Non-Governmental Organizations.

Monitor the implementation of Council programmes and take remedial action where necessary.

=> Recommend to Council persons to be appointed Members of District Service Commission, Local Government Public Accounts Committee, District Tender Boards, Commissions or Committees that may be created.

=> Receive and solve problems or disputes forwarded by lower Local Government Councils.

At the end of each financial year consider and evaluate the performance of the Council against the approved work plans and programmes; and

Carry out any other duty as may be authorized by Council or any law.

(ii) Financial and planning powers:

(iii) Administrative powers as entrusted to the Chief Administrative officers and Town Clerks for District Councils and urban Councils respectively.

- Influence and control that central government has over local governments is embedded in the provision of the constitution and the Local Governments Act 1997.

Areas of influence/control include:

(i) Intergovernmental transfers through grants (unconditional and equalization).

(ii) Controls on local government financial management through:

=> Budgeting and appropriation of funds.

=> Accounts, Audit and Accountability.

(iii) Local Governments Finance Commission which is

responsible for coordinating the financial relationship between the central government and local governments.

- (iv) Local Government Tender Boards which are required to operate on the basis of standards established by the central Tender Board.
- (v) Legislative Control which is largely exercised through the enactment of laws, issuance of regulations and legislative investigations.
- (vi) Administrative supervision of Local Governments by central governments agencies such as line ministries.
- (vii) Judicial Control to ensure that local laws and administrative actions are not in conflict with the national law.
- (vii) Protection of public officers. The Public Service Commission is mandated by the constitution to guide and coordinate the District Service Commissions and to hear appeals from public officers who feel they have been unfairly treated or victimized.

## **2.9 Planning, Budgeting and Accountability**

### **2.9.1 Planning**

- The role of planning is to provide a platform for local communities at all levels to participate, be consulted and collectively take informed decisions on issues of development and resource mobilization and allocation.

The approach to decentralize planning should take into account a "bottom-up" process emphasizing a participatory approach. This approach is built on the premise that each level from the village upwards will identify and tackle problems within the limits of its resources but refers those it cannot handle or for which it needs assistance to the next higher level. Inevitably it will be necessary for top-down flows of information in the form of policy guidelines.

Planning must seek to create a consensus among all the principal actors in the development process through constant consultations and discussion of development problems in the area.

The Ugandan Constitution and the Local Governments Act 1997, provide the legal framework for decentralized development planning. Article' 190 of the Constitution states "District Councils shall prepare comprehensive and integrated development plans incorporating the plans of lower level local governments for submission to the National Planning Authority".

The Local Governments Act 1997 describes the nature and functions of the institutions responsible for decentralized planning. The District Local Council is the Planning Authority in the District and is responsible for preparing a comprehensive and integrated development plan. It is supported by the District Technical Planning Committee.

- The District Technical Planning Committees in Uganda are composed of technical heads of departments and chaired by the Chief Administrative Officer.
- The District Technical Planning Committee is responsible for co-ordinating and integrating all sectoral plans and plans of lower level Local Governments. The District Planning Unit is the Secretariat to service the District Technical Planning Committee.
- Centre-Local Roles for Planning. As a result of decentralization and enactment of the Local Governments Act, 1997 there has been a significant shift in the role and responsibility for planning between the Government and Local Governments. The centre is basically responsible for policy formulation, policy compliance, national standards, inspection, monitoring and where necessary technical advice and training, (section 97 of the Local Government Act, 1997).

### **2.9.2 Budgeting and Accountability**

- Accountability is an important part of the decentralization process. The law therefore provides as follows in relation to budgeting and accountability:

#### **(i) Books of Accounts**

All Local Governments are required to keep proper books of accounts and other records. Accounts are supposed to be balanced each year and financial

statements of final accounts produced within four months from the end of a financial year.

(ii) Auditing of Accounts:

The Books of Accounts and Financial Statements including returns and other records are supposed to be audited by the Auditor General. He or she is supposed to give the reports after audit to the following authorities:

=> The Parliament;

=> The Minister of Finance

=> The Minister of Local Government

The Local Government or Administrative unit to which the report refers;

=> The Local Government Public Accounts Committee

=> The Local Government Finance Committee

=> The Inspector-General of Government; and

=> The Resident District Commissioner

The Role of the Internal Audit Department:

The Chief Internal Auditor reports directly to the council. This arrangement makes him/her independent of the management but not of the council. It assumes that Councillors would be in a position to account to the electorate.

(iv) Local Governments Public Accounts Committee:

The District Council is empowered by law to appoint the Local Governments Public Accounts Committee members. A District appoints four members and Urban Councils' one member. The Committee reviews reports of the Chief Internal Auditor and Auditor General's and report back to the council's **concerned and the Minister** of Local Government who is required to present the report before the Parliament.

## 2.10 Provision of Local Services

- Under decentralization, local governments in the country have the leverage of choosing the most cost effective mechanism of service delivery without having to bend to central government control and directives.
- Most Local Governments in Uganda have adopted privatization in service delivery in such areas as collection of revenue form markets, contracting out maintenance of roads, management of taxi/bus parks as a strategy to relieve the local authorities of the burden of managing and sustaining these institutions/functions which can best be undertaken by the private sector.
- All operational matters in respect of service sectors are with the districts. For example under the Primary Health Care the districts are responsible for among others purchase of drugs, hire of medical staff,

immunization, Primary Health Care delivery etc. Under Primary Education the districts are responsible for hiring of teachers, provision of scholastic materials, construction of classroom blocks, supervision and inspection of schools etc.

- The center has remained with responsibility for policy, setting standards of service delivery, mentoring, training, support supervision, monitoring and evaluation.
- In the health sector supply of drugs is undertaken by a quasi parastatal body, the National Drugs Authority (NDA) which has to ensure that drugs entering the country are safe for human consumption. Hospitals buy the drugs from the NDA.

## **2.11 Human Resource Development**

### **(i) General**

- Human resources or personnel are stakeholders in the decentralization process.
- Human resources have been organized to fit and effectively support the process through:

=> Training/capacity building  
Career development of the Staff

Capacity building at the Local Government levels has to be undertaken in order to enable the local governments fulfil their responsibilities. This is particularly so since all staff executing functions reserved for Local Government are now employees of those Local Governments and are fully accountable to those councils through the Chief Administrative Officers or Town Clerks.

### **Training**

Human resource development in Local Government has targeted both appointed and elected officials.

For elected Councils, training has taken the form of:

- => Sensitization
- => Induction, and
- => Orientation seminars and workshops about policy imperative and new institutional centre-local relationship.

For appointed officials, training has taken the form:

- => Seminars
- => Workshops

Short and long courses and special focus has been put on:

- => Accounts Technicians
- => Internal Auditors
- Personnel Officers
- => Planning Officers
- => Administrative Officers and
- => Records Officers

Training of trainers has also been ongoing and the trainers have been especially trained to conduct further training in their respective councils, and many lower councils have been reached through this method.

Human resource development programmes have been aimed at raising performance of the officials in order for them to deliver services more efficiently and effectively.

Through the electronic and print media, a good proportion of the population has been reached and Ministry of Local Government is to publish reading materials in english and various local languages.

Study tours have also been organized for staff in District and Urban Councils and Ministry of Local Government staff to countries which have gone through the decentralization process.

Some councils through their own initiative have sponsored their staff for-

- (i) Finance Diploma Courses
- (ii) Diploma in Public Administration
- (iii) Diploma in Human Resource Management

- Thus, Councils are playing a vital role in the human resource development of their organizations.
- The District Service Commissions have endeavoured to handle promotion cases among others. This is a positive trend, in a bid to strengthen personnel decentralization and in particular human resource development under the decentralization process.

## **2.12 Community Participation**

### **(i) Popular and Stakeholder Participation**

- Uganda has concluded several studies to determine the impact of community participation in the decentralization process. These studies have revealed a high level of community participation, albeit not well-focused.
- The country has moved away from the traditional approach to popular participation which only considered the involvement of marginalised groups (in terms of education, health, ethnicity, gender and other specially difficult circumstances) to increased involvement of key stakeholders. This basically means the participation of stakeholders because of the benefit they are likely have become the decision-making body,

selecting and formulating their own programmes on the basis of cross-cutting issues in order to maximize socio-economic benefits.

## **(ii) Democratic Participation**

- Another mode of community participation is democratic participation. It involves the enlisting of participatory approaches leading to development options through intensive consultative meetings. This process not only enhances ownership of the various initiatives but also ensures transparency and accountability through representative views of everyone. A number of NGOs in Uganda use this approach.

## **((iii) Benefits of Participation**

- The benefits of participation in the decentralization reform includes the following:

Mobilization and use of local knowledge and resources.

=> Equitable distribution of benefits (especially to vulnerable and marginalized groups).

=> Increased acceptability of programmes.

Ownership of initiatives and sustainability thereof.

Uganda has witnessed a make-shift from passive participation to comprehensive consultation and task oriented approaches. People have become aware of their needs, rights and obligations, and as a result people are demanding more service, which is characteristic of the decentralization process.

### **Evidence of Participation**

Evidence of community participation in Uganda are the following:

The high turn-up and involvement of the population in political and other communal activities of developmental nature;

=> Involvement of popularly elected representatives in planning and management of community matters involving prioritization, allocation, implementation and monitoring of community programmes;

=> Increasing number of donors and local initiatives to implementing decentralization;

=> The willingness of the people to make contributions in kind or in cash towards activities that have a bearing on the general welfare of the community;

=> An increased tripartite working relationship between the target communities, government and donors.

## **2.13 Donor Involvement**

- The decentralization reform in Uganda has attracted several donors. The donors directly dealt with the Decentralization Secretariat in supporting the process. Direct consultation between donors and local governments is accepted, but should be within the framework set out for implementation. Some of the donors involved in Uganda are DANIDA, UNDP, UNFPA, UNICEF, Irish Aid etc.
- A donor co-ordination office has been established in the Ministry of Local Government for the purpose of co-ordinating donors under decentralization. This is distinct and separate from the Donor/Aid Co-ordination Department in the Ministry of Finance.

## **3.0 PROBLEMS AND CHALLENGES**

The following are some of the problems and challenges encountered during the decentralization process-

- Changing the attitude of people at central, local government and community level. This arises because of perception, expectations and centralist orientation the people have been used to prior to decentralization;
- Reluctance of central government offices, ministries and agencies to declare the amount of money usually budgeted for the local governments, for services to be decentralized;

Ministries abdicating their roles and responsibilities in respect of giving guidance, undertaking supervision, providing technical support and quality assurance to local governments;

Resistance by central government offices/ministries/agencies to let go power, resources and personnel;

Reluctance of central government to decentralize development budget which affects the provision of services;

Inadequate funding for the implementation of systems and procedures which have been set up for decentralization;

Corruption, mismanagement, misappropriation and lack of financial discipline;

Inadequate human resource capacity;

Divided loyalty of civil servants under a system where civil servants serving local government are appointed and deployed by the central government;

Attracting and retaining qualified personnel especially for the remote areas, which is compounded by lack of facilities and amenities in those areas;

Fears of civil servants regarding their career progression

in the service, and the prevalence of poverty which has had an adverse impact on decentralization;

#### **4. DECENTRALIZATION IN GHANA**

##### **4.1 General**

- The introduction of decentralization policy reform in Ghana was occasioned by the shortcomings in the pre and post independence local government system, the so called dual hierarchy model whereby two machineries of administration existed for the country viz:
  - (i) Centralized machinery with deconcentrated branches (units) at the local level (district);
  - (ii) Local government machinery based on well defined localities;
  
- A single hierarchy model was introduced in 1974 which attempted to abolish the distinction between local and central government at the local level and create one common monolithic structure (district council) which was assigned the responsibility of the totality of government at the local level.
  
- Experimentation with the single model between 1974-1988 revealed gross disenchantment with the model and this led to the institution of the 1988 reforms which aimed at combining both of the two models.

- The 1998 local government in Ghana seeks to transfer functions, powers, means and competence from the centre to the grassroots.

#### **4.2 Systems of Government in Ghana**

- Public Administration in Ghana comprises of a two tier system viz:
  - (i) Central Government and its agencies; and

##### Local Government

- The new local government system in the country comprises:
  - i) Regional Co-ordinating Councils (RCC), thirteen (13) in number.
  - ii) Four-tier Metropolitan Assembly structure (metropolitan, sub-metropolitan, town councils and unit committees), three (3) in number.
  - iii) Three-tier Municipal/District assemblies structure (District/Municipal, Urban/Town/Area/Zonal Councils, Unit Committees) 103 in number.
- Regional Co-ordinating Councils of each of the ten (10) regions consists of:
  - i) The Regional Minister/Chairman and his deputy/deputies

- ii) the presiding member of each District Assembly
- iii) the District Chief Executive of each district in the region
- iv) two chiefs from the Regional house of chiefs
- v) regional heads of decentralized ministries

The District Assembly consists of:

- i) The District Chief Executive who is nominated by the President, approved by 2/3 of the members of the Assembly and appointed by the President
- ii) 2/3 of directly elected members by universal adult suffrage, members of parliament (MPs) representing constituencies within the district and 1/3 of its members appointed by the President in consultation with chiefs and interest groups in the district.

### **Objectives of Decentralization in Ghana**

The objective of decentralization in Ghana is to transfer functions, powers, means and competence from the central government ministries and departments to the District Assemblies.

The policy which forms the basis of the new local government system in the country is premised on the assumption that:

- i) development is that which responds to people's

problems and represents their goals, objectives and priorities; and

- ii) development is shared responsibilities between central government and local government, parastatals, NGOs and the people-the ultimate beneficiaries of development-all whom must be closely linked.
- iii) virile local government institutions are necessary to provide focal points or nuclei of local energies, enthusiasm initiative, and organization to demonstrate new skills and leadership.

### **The Decentralization Policy in Ghana**

The decentralization policy in Ghana-

devolves central administrative authority to the district level

fuses governmental agencies in any region, district or locality into one administrative unit, through the process of institutional integration, manpower absorption, composite budgeting and provision of funds for the decentralized services.

divests the centre of implementation responsibilities and transfers those responsibilities to the districts

Mandates Central Government Ministries/Departments to undertake policy planning, monitoring and evaluation of policies and programmes

Mandates Regions, through the Regional Co-ordinating Councils and their respective Regional Planning Co-ordinating Units, to play the important role of co-ordination, not in a regulatory manner, but to ensure consistency, compatibility and coherence of district level development, facilitate jointly among districts and monitor the activities of District Assemblies within the regions; and

Mandates District Assemblies to be primarily responsible for the implementation of development policies and programmes coordinated by the National Development Planning Commission (NDPC).

Promotes popular grassroots participation in the administration of the various areas concerned from the stand points of planning, implementation, monitoring and delivery of those services which go to improve the living conditions of the people and the orderly, fair and balanced development of the whole country.

### **Legal Framework**

The principal legal basis for decentralization in Ghana are as follows:

- i) The Local Administration (amendment) Decree 1974, NRCD 253

- ii) The Local Government law, 1988
- iii) The Constitution, 1992
- iv) The Local Government Act, 1993, Act 327

- The Civil Service Law (PND ch 327) provides the cornerstone for decentralization in Ghana. The law establishes the Ministry of Local Government as the principal state agency for spearheading decentralization implementation including co-ordination, rationalises the civil service set up and operations including introduction of horizontal as opposed to vertical reporting system in the districts and a separate (unified) personnel system.

#### **4.6 Political decentralization**

- Political decentralization in Ghana seems to have been accomplished. Non political District Assemblies have been established and exercise considerable deliberative, legislative and Executive functions. The District Assembly is the Planning authority for the district and a pivotal point of administrative and development decision making as well as basic unity of government administration. One notable absence in the governmental characters of the Assemblies is lack of autonomy in hiring and firing their employees.

#### **4.7 Personnel decentralization**

- In principle it is recognised and agreed that Local

Governments should employ their own staff with the right to hire and fire. However, the practice at the moment is that civil servants are seconded to metropolitan and municipal District Assemblies by the central government for an initial period of 4 years and can be withdrawn at the discretion of central government. The question of divided loyalty therefore remains unresolved.

The remuneration for the civil servants is standardised and determined by the central government.

According to the provisions of the draft Local Government service Act, a unified service (personnel system) is to be established to provide technical support to the RCCs, District Assemblies and sub district councils.

All persons holding public service office in the department and officers of the District Assemblies RCCs and the Institute of Local Government service shall be members of the service.

Existing decentralized departments and their officers are to be transferred to the service with guaranteed continuation of terms and conditions of service.

The Head of the Local Government service who is responsible for the overall management of the service is to be appointed by the President.

Appointments and disciplinary committees are to be established at district and regional levels to advise on appointment and perform disciplinary functions.

### **Central - Local Relations**

Main features of Central - Local Relations in Ghana are-

Promotes popular grassroots participation in the administration of the various areas concerned from the stand points of planning, implementation, monitoring and delivery of those services which go to improve the living conditions of the people and the orderly, fair and balanced development of the whole country.

Central Government Ministries/Departments undertake policy planning, monitoring and evaluation of policies and programmes.

Regions through the Regional Co-ordinating Councils and the respective Regional Planning Co-ordination Units, play the important role of co-ordination, not on a regulatory manner but to ensure consistency, compatibility and coherence for district level development; facilitate joint ventures among district and monitor the activities of District Assemblies within the regions; and

District Assemblies to be primarily responsible for the

implementation of development policies and programmes co-ordinated by the National Development Planning Commission (NDPC)

- All the civil servants whose functions are decentralized are to be the staff of the District Assembly in the district where they are deployed and are to be answered to the District Assembly.
- Communication from Heads of ministries and departments of the regional and national level intended for the departments of the District Assembly shall be addressed to the District Chief Executive in all cases where it relates to major policy and management issues.
- In all matters of routine nature, however, the communication will be addressed to the district office of the relevant department of the Assembly and copies sent to the District Chief Executive.
- Co-ordination and supervision of District Assembly is to be done by RCCs.

## **4.9 Planning and Budgeting**

### 4.9.1 Concept

The best plans of any Government, ministry or District Assembly will simply remain plans and not accomplishments unless they are implemented. The implemen-

tation of plans require financing. The formal financing of plan implementation is termed "budgeting".

#### 4.9.2 Fundamental Principles of Budgeting

The following fundamental principles underline budget preparation:

- i) Planning must be based upon a careful evaluation of external and internal factors affecting the future.
- ii) Plans should differentiate between long-term and immediate objectives and between general and specific objectives.
- iii) Short range or immediate plans should constitute one segment of long range plans.
- iv) Plans should be formalized to the fullest extent practicable; they should be clear and comprehensive yet as simple as possible under the circumstances.
- v) Plans should be expressed in financial and other appropriate terms.
- vi) Plans and objectives should be realistic; they should be attainable, yet should represent efficient activity.
- vii) Plans and objectives should be developed through

participation by those responsible for their attainment.

viii) Plans should be developed so as to facilitate control.

### .3 Budgeting System of Local Governments up to 1988

The basis for the preparation of local authority budget up to 1998 was derived from Section 65 of the Local Authority Administration Act, 1971, Act 359.

The Act, among other things, provided that, "every District Council shall submit to the Regional Council, at such time and in such a manner as the Regional Council may direct, detailed estimates of its revenue and expenditure for the next financial year."

The Regional Council shall consider the estimates submitted and may either approve or disapprove of the estimates as a whole or in part and shall notify the District Council accordingly.

If the estimates are not approved by the Regional Council before the commencement of the financial year; the District Council may by resolution, authorise expenditure at the level in force at the end of the previous financial year.

- The following must be noted:
  - => In practice the Regional Councils were not established. The Chief Local Government Inspector attached to the Regional Administrations vetted the estimates and the Regional Administrative Officer became the approving authority.
  - => The format and procedure for the preparation of the estimates, however, continued to be based on the Financial Memorandum for Municipal and Urban Councils under Section 81 of the Local Government Act, 1961 (Act 54).

#### **4.9.4 The New Budgeting System**

- Act 462 institutes a composite budget, an integrated district budget which synthesizes and harmonizes expenditure and revenue estimates of the programmes of all the departments of the District Assembly, as distinct from sectoral budgeting which characterizes the national budgeting process.
- The authority for the preparation of a district budget is derived from Section 10(3)(a)(ii) of Act 462 which states:
  - => " A District Assembly shall be responsible for

the overall department of the district, and shall ensure the preparation and submission through the Regional Co-ordinating Council of the development plans of the district to the NDPC for the approval, and of the budget of the district related to the approved plans to the Minister of Finance for approval."

The authority for the composite budget comes from Section 92 of Act 462 which states that:

- => "Every District Assembly shall before the end of each financial year submit to the Regional Co-ordinating Council, a detailed budget for the district, stating the revenue and expenditure for the ensuing year.
- => The Regional Co-ordinating Council shall collorate and co-ordinate the budgets of the districts and shall submit the total budget to the Minister responsible for- Finance and submit copies to the Minister and the NDPC.
- => The budget for the district shall include the aggregate revenue and expenditure of all departments and organizations under the District
- => Assembly and the District Co-ordination Directorate of the annual development plans and programmes of the departments and organizations under the Assembly."

#### **4.9.5 Budgetary Controls**

- The new local government systems seek to ensure durable local authorities and financial accountability on the part of the officials.
- Act 462 provides for controls. Some of these are:
  - i) Section 91, Empowers the Minister for Local Government to give financial instructions to District Assemblies.
  - ii) Section 91(1), empowers the Minister for Local Government, after consultation with the Minister responsible for Finance to issue written instructions not inconsistent with any of the provisions of the Act, for the better control and efficient management of the finances of District Assemblies.
  - iii) Section 93(2) establishes for the purposes of Section 93(1) an Inspectorate Division of the Ministry of Local Government.
  - iv) Section 93(3) provides for offences for willful obstruction of Inspectorate staff.
  - v) Section 120 provides for Internal Audit and recovery of sums certified due by external audit and recovery certified due by external auditors.

## **4.10 Financial Decentralization**

### **4.10.1 Four (4) pieces of legislation regulate financial administration in Ghana. These are:-**

- i) Financial Administration Decree. 1979, SMCD 221, popularly referred to as FAD.
- ii) Financial Administration Regulations, 1979, L. 1.1234, referred to as FAR.
- iii) Financial Memorandum for Municipal and Urban Council for 1961.
- iv) Local Government Act, 1993, Act 462.

### **4.10.2 Central Government Financial Administration**

- Both FAD and FAR provide exhaustive direction and control of financial administration. FAD, for example makes the Ministry of Finance the primary authority for national budget. On the other hand, FAR makes the Controller and Account-General's Department with offices in all districts, the principal disbursement agency of Government.
- Thus with the two pieces of legislation, financial administration in Ghana may be looked at as follows:
  - i) Ministry of Finance, chief authority for preparation, publication and control of national budget.

- ii) Ministry of Finance approves budget (approves estimates of revenue and expenditure).
- iii) Ministry of Finance issues Financial Encumbrances (Fees) to departments/ministries to cover their expenditure.
- iv) Controller and Account-General's Department gives ceilings within which Financial Encumbrances must be spent, this is normally 75 % of Encumbrances.

#### **4.10.3 Local Government Financial Administration**

- Each Local Government has a Local Treasury which checks its revenue and expenditure, along side the Central Government Treasury of the Controller and Account-General's Department at the district level.
- In terms of local government financial administration, both the Financial Memorandum and Act 462 provide the latitude within which the local governments can operate. While Act 462 seeks to provide general direction in terms of policy, the Financial Memorandum provides the control mechanism of revenue and expenditure.
- A composite budget system is planned to be introduced to complement the decentralized planning system and to give District Assemblies, control over their budgets.

- Though full fiscal decentralization has not been achieved, modest successes have been registered in the areas of:
  - i) a merged District Finance Office;
  - ii) establishment of District Tender Boards;
  - iii) decentralization of contract awards and payment.

#### **4.10.4 Financing the new Local Government System**

- The means available to local governments to translate power and competence at their disposal into development phenomenon, ie. the resources with which to perform the transferred function, forms the subject matter of local government financing.
- The financial provisions for the new local government system are contained in Articles 245 and 252 of the 1992 Part X of Act 462. Revenue from those sources are classified as:
  - => Locally generated (traditional); and
  - => Central government transfers

#### **4.10.5 Locally Generated Revenues**

- Locally generated revenues (otherwise referred to as traditional local government sources of revenue), are derived from six (6) main sources namely, Rates,

Lands, Fees, Licences, Trading Services and Miscellaneous Sources.

## Rates

Included under this revenue area:

- basic rate (poll tax levied on every adult between 18 and 70 years)
- property rate (landed property owners)
- special rate (fee fixing resolutions for specific projects); and
- rates payable by public corporations and organisations owning property in the areas of jurisdiction of the District Assembly.
- Rates payable by public institutions -

central government payments made "in lieu of rates" are to be paid to District Assemblies in respect of its landed property in the District.

=> Public commercial and parastatal organizations as well as non-decentralized departments are now to pay rates on their properties in the districts.

## Fees

In accordance with Section 34 of Act 462, and within guidelines set by the Minister for Local Government,

District Assemblies levy fees on a range of items. The Sixth Schedule to Act 462 lists some of the areas for fees as Cattle Pounds, Slaughter Houses, Market Dues, Market stalls, Trading Kiosks, etc. Under L. I 1530 of 1992, all crops with the exception of cocoa, coffee and cotton are now subject to fees levy.

iii. Licences

- are issued for a host of items and activities from which revenue is earned.

4.10.6 Central Government Transfers

- These are revenues which are transferred from central government sources to the District Assemblies. The major ones are:
  - => Ceded Revenue
  - => Grants-in-aid
  - => Recurrent Expenditure Transfers
  - => District Assemblies' Common Fund
  - => Specialized Transfers

i) Grants-in-Aid

- The form of central government financing of local governments predated the introduction of the present local government system. Grants-in-Aid were administered by the Ministry of Finance and

Economic Planning, which employed a simple 3:2:1 sharing formula between City Councils, District Councils with the regional capitals and other districts respectively.

As a form of central government transfer, grants-in-aid were supposed to be project specific.

At the time that it operated, grants-in-aid were a very inadequate source of funding for local governments. The grants were irregular and the system was often criticized as having no rational sharing/distribution basis. Another criticism was that the grants were always released at the close of the financial year and though project specific, District Councils christened it "*Christmas Bonus*"

Since the introduction of the present system of local government, grant-in-aid to the District Assemblies have ceased even though it still remains on the statute books.

#### Recurrent Expenditure Transfers

Central Government has since 1995 assumed full responsibility for salaries and other remuneration, including pensions of staff of the District Assemblies, , provided these fall within the approved manpower ceiling for the Assemblies.

- The Government also bears responsibility for the operation and administrative expenses of the Assemblies, referred to as items 2-6.
- It is planned that once recurrent expenditure is fully decentralized, these payments will be transferred to the Assemblies as untied **block grants**. These will enable the assemblies to rationalise their manpower and adopt other costcutting measures in order to save money for development.

iii. Ceded Revenue

- Ceded Revenue is derived from revenue sources which hitherto were tapped by the central government through the Internal Revenue Service, but which central government has "ceded" to the District Assemblies, in pursuit of decentralization.
- These sources as listed in the Sixth schedule of Act 462 are:
  - i) Entertainment Duty under the Entertainment's Duty Act 1962, (Act 150) Casino Revenue under the Casino Revenue Tax Decree, 1973 (NRCD 200)
  - ii) Betting tax under the Tax Act, 1995 (Act 268)
  - iii) Gambling tax under the Gambling Machines Decree, 1973 (NRCD 1974)

- iv) Income Tax (Registration of Trade, Business, Profession or Vocational) Law, 1986 (PNCDL 156)
- v) Income Tax payable by specified categories of self-employed persons in the formal sector.
- vi) Advertisement Tax under the Advertisement Tax Decree, 1976 (SMCD 50)

The ceded revenue is centrally collected by the Internal Revenue Service and the total ceded revenue collected for a year is transferred to the Ministry of Local Government which shares it among the District Assemblies using a formula approved annually by the Cabinet.

iv) District Assemblies' Common Fund

Article 252 of the Constitution provides for the establishment of a District Assemblies Common Fund which shall:

- i) be allocated annually by Parliament not less than five (5) percent of the total revenues of Ghana and payable in quarterly installments for development
- ii) be distributed among District Assemblies on the basis of a formula to be approved by Parliament; and

iii) be administered by a District Assemblies'  
Common Fund Administrator.

Act 455 which establishes the District Assemblies Common Fund defines the "total revenue of Ghana" for this purpose to mean "all revenue collected by or accruing to the central government other than foreign loans, grants, non-tax revenue and revenues already collected by or for District Assemblies under any enactment in force."

The objective of the Common Fund is to make available to the District Assemblies additional resources for development.

Section 9 of Act 455 states that "the Minister responsible for Finance in consultation with the Minister (responsible for Local Government) shall determine the category of expenditure of the approved development budget of the District Assemblies that must in each year be met out of amount received by the Assembly from the Fund.

The Common Fund has made a great impact on central government transfers to the district and therefore on district and local development. In 1994, 38 billion cedes was transferred. This constituted 19.6 % of the central government's total domestic development budget for the year.

v) Specialized Transfers

- These include the following:
  - => Stool Land Royalties
  - => Timber Royalties; and
  - => Minerals Development Fund

#### **4.10.7 Other Financial Arrangements**

##### **i) Revenue From Lotto Operators**

- This source of revenue of the Assembly is derived from the National Weekly Lotto (Amendment) law, 1990 (PNDCL 223). This law seeks to:
  - i) legalize "Banker-to Banker" and any such operators for operations in specific districts
  - ii)** authorise the operators to be registered at the district level for operations in specific districts;
  - iii) limit the operations to individuals and small time business as opposed to big incorporated business and organisations; and
  - iv) enable operators to pay taxes quarterly to be shared between Central and Local Government.

- The Law:
  - i) gives the District Assembly the power to approve the operation of the District Weekly Lotto which may include Banker-to-Banker;
  - ii) sets out regulations under which District Assemblies may licence operators, determine the taxes operators are to pay and monitor the operations of the operators; and
  - iii) empowers the District Assemblies to licence operators within their respective areas of jurisdiction.
- ii) Special payments
- These are payments made by agencies and companies operating in areas of jurisdiction of the Assemblies sometimes gratuitously or as a mark of good corporate citizenship.

#### **4.10.8 Summary**

- i) Traditional sources of local government revenue are retained;
- ii) After the introduction of the reforms, ceded revenue became one of the major sources of local government financing; and

iii) The District Assemblies' Common Fund is now the most important source of revenue for the majority of District Assemblies.

### **Comparative community participation in Uganda and Ghana**

In both countries the policy of decentralization puts an emphasis on taking government closer to the people and to empower local communities by allowing them to participate in decision-making that affect their lives.

In case of Uganda, grassroots democracy has become meaningful, as communities support and adopt the programmes as theirs and are involved in the implementation of programmes/activities. It further ensures transparency and accountability through representative views of everyone. The government has recognised that community participation assists in fighting against indifference and passiveness and ensures sustainability.

Furthermore, in Uganda there is increased involvement of key stakeholders in the decision-making process, programme selection and formulation. The benefits of participation include mobilization and use of local knowledge and resources. This has further increased awareness of their needs, rights and obligations to demand for services. The evidence of community participation is demonstrated through the

high turn-up and involvement of the populace in political and other communal activities of development; involvement of popularly elected representatives in planning and management of community matters; in the willingness of the people to make contributions in-kind or in cash towards activities that affect their livelihood has boosted tripartite working relationship between the targeted community, government and donors.

In Ghana, development is assumed to be a shared responsibility between the central government, local government parastatals, NGOs and the community concerned. As such, the policy of decentralization promotes popular grassroots participation in the administration of the various areas, such as, planning implementation, and monitoring in order to achieve equitable development for the whole country.

### **Lessons Learnt**

During the study tour covering the two countries, members of the delegation were able to learn the following in relation to decentralization reform and its implementation:

- Conception of decentralization reform, design and implementation vary from country to country and within a country overtime;

There is no internationally acceptable blueprint for decentralization;

A strong political will and support from the central government is a prerequisite for an effective implementation of decentralization reform. Therefore, without a strong support from the national political leadership, decentralization is bound to fail, may not occur and may get derailed;

Financial oversight by the centre is very important under decentralization for ensuring sound financial management and accountability by regional/local governments;

Without adequate funding it is not possible to effectively implement decentralization reform;

Local governments need to have buoyant sources of revenue;

Clear definition of roles and responsibilities between central government agencies and Regional/Local Governments is necessary for avoiding duplication of efforts, conflict and waste of resources;

All matters of operation should be the responsibility of local governments and the

centre devotes itself to policy formulation and review, setting national standards for service delivery, providing the guidance, support supervision, capacity building, monitoring and evaluation;

Privatisation of service delivery under decentralization requires an effective supervisory mechanism to ensure that services being delivered are in accordance with prescribed standards and at affordable costs;

Human resource development and capacity building programmes are essential aspects in the implementation of decentralization reform and are a necessary condition for the reform to succeed;

Delinking staff of the central government serving in the regions provides the much needed "seed" capacity under decentralization;

Separate personnel systems for regional/local governments seem to work better under a situation, where there exists an independent regional commission under guidance and supervision of National Public Service Commission and where protection of public officers are guaranteed and carried by the National Public Service Commission;

- Importance of community participation and involvement in ensuring effective implementation of decentralization reform;
- Involvement and participation of communities ensures ownership of the programmes sustainability and public accountability;
- Decentralization requires patience and caution and one should not try to hurry the process
- Central government should learn to trust and have confidence in the recipients of power (regional/local governments); and
- Sensitization, motivation and awareness among all stakeholders is crucial in building consensus, acceptability and attitudinal change in the decentralization process.

## **7.1 Recommendations**

### **7.1.1 Centre-Local Relationship**

- i) Since Namibia is characterized by long distances between most areas and the centre, services must be delivered by those institutions which are nearer to the people. To this end functions, powers and resources ought to be decentralized to regional and local governments. The personnel whose functions get decentralized

should follow those decentralized functions and be answerable to regional and local governments.

- ii) Central government operations in respect of decentralized functions be reduced to policy formulation and articulation, legislation, setting national standards, provision of guidelines and regulations, support supervision and inspection, training, provision of technical assistance/support and monitoring and evaluation.
- iii) The role and responsibilities of central government and regional and local governments should be clearly spelt out in legislation and implementation guidelines.
- iv) The conduct of central government under decentralization should be such that it acts as a facilitator and enabler, it should be able to give regional and local governments the freedom to exercise discretionary powers to pursue their own identified priorities in their respective areas of jurisdiction but with due regard to the constitution and other national laws.
- v) The region and local government leaders on their part should exhibit a sense of nationalism, political will and commitment throughout the decentralization implementation process as

mechanisms of setting a basis for sustaining decentralization reform.

vi) The creation/establishment of the following institutions at the regional council level should be given due consideration:

- Regional service commissions to handle personnel decentralization matters especially recruitment, promotion and discipline.
- Regional Council Tender Boards to handle matters of procurement of goods and services.
- Land Boards to handle matters relating to land.
- Security Committees
- Development Committees to co-ordinate planning and development at every level.

### **7.1.2 Financing of Decentralization**

i) A clear distinction should now be made of the state's responsibility and resources between the central, regional and local government, as well as the functional and financial relations amongst these levels. A clear-cut model will have to be established, with accompanying rules which will be essential for defining responsibilities and

imposing conditions on the actors at each level of government. Equally important will be the process by which the rules are agreed upon—the top down approach or broad consensus amongst all stake holders. Some of the rules should spell out the macro-economic dimensions of inter-governmental finance, extent of sub-national borrowing, expenditure and revenue authority, and above all the approach to strengthening institutional capabilities.

### **Intergovernmental transfers**

Since central government collects most of the revenues, there must be an agreed upon objective criteria of transferring finances from the central government to regional and local governments. The agreed upon mechanism of transfer of funds must be institutionalized within an appropriate legislation. The channels through which the funds are to be transferred are various but may include the following:

- Unconditional Grant
- Conditional Grant (both matching and non-matching) and
- Equalization Grant

**iii) Ensuring accountability**

Under decentralization all moneys transferred from the centre together with locally raised revenue must be fully accounted for as these are public funds. All levels of government should be accountable for expenditure of public funds and systems for enforcing and ensuring accountability and transparency shall have to be designed, implemented and adhered to. Appropriate sanctions in the face of non compliance and incentives/rewards in recognition of good performance should be part and parcel of the system. All levels of government shall have to be held accountable for delivery of services within their respective areas of responsibility.

**iv)** Regional and local governments should be empowered to generate revenues from their own local sources to reduce their dependency on central government funding. A resource endowment study to determine the resource potentials and possible sources of local revenue for the regions be undertaken.

**7.1.3 Organization of personnel matters**

i) Key personnel in the service of regional and local governments should be employed by the

regional and local governments but their recruitment/appointment, promotion and discipline should be undertaken by a National or Regional and Local Government Service Commission. Regional and Local Governments remain the employers but staff shall be organized on a National basis and deployed in the Regional and Local Governments.

- ii) When considering the recruitment of staff in specialized discipline e. g. Education and Agriculture, the commission should have to co-opt at least two persons specialized in the discipline on the commission and shall use guidelines provided by the National Public Service Commissions.
- iii) In the long run regional and local governments would have to manage cash limited payrolls although they may establish or abolish offices in their public service but not functions.
- iv) Central government together with regional and local governments should strive to create an enabling environment for regional and local governments to attract and retain competent personnel for the purpose of effecting decentralization.
- v) The terms and conditions of service for the staff

in the service of regional and local governments should be similar to those for the staff in the central government public service.

#### **7.1.4 Participation of the local communities in decentralization**

- i) For decentralization to succeed there must be genuine participation/involvement of the people in decision making and control in matters that affect their lives. The local communities do appreciate things (be it community clinics or schools) they have had a hand in creating. The implication of the above is that whatever is meant for the community in terms of development or otherwise, the people must be involved right from the conception and planning stage, through to plan development, possible funding, strategic implementation and management of the plan, its monitoring and evaluation. Community participation must embrace involvement of the members of the community in debating and deciding on "what, why, when by who, where" about development issues etc.
- ii) Community/citizen participation can only be realized when members of the community/citizens are empowered to participate. One of the vital instruments of empowerment is timely access to appropriate information. There should

therefore be deliberate initiatives under decentralization to empower the community in accessing information through decentralization awareness workshops, publication of illustrated relevant documents on decentralization and translating them in the various local languages, radio and TV talks etc.

- ) Participatory institutions be established at the various levels of government and capacitated to enable them measure to the challenge of participation under decentralization.
- ) In the medium long term service delivery survey be undertaken to get peoples views on their perception of effectiveness and efficiency of government service delivery systems to facilitate appropriate adjustment in the same.

## APPENDIX I

### LIST OF THE DELEGATION ON THE STUDY TOUR OF UGANDA AND GHANA ON DECENTRALIZATION

<b>Name</b>	<b>Ministries / Offices</b>
1. Hon. Dr. Nicky Iyambo Minister	Ministry of Regional, Local Government and Housing.
2. David O.O. Obong (Consultant/Advisor)	Ministry of Regional, Local Government and Housing.
3. Ms. Sandra Williams Personal Assistant to the Minister	Ministry of Regional, Local Government and Housing.
4. Ms. U. Kamboua Deputy Director	Ministry of Regional, Local Government and Housing.
Ms. E. Hainana Personnel Officer	Ministry of Regional, Local Government and Housing.
Mr. O. Akwenye Deputy Permanent Secretary	Ministry of Health and Social Services.

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|-------------------------------------------------------------------|---------------------------------------------|
| 7. Ms. R. Gowases<br>Personal Assistant to<br>the Prime Minister. | Office of the Prime<br>Minister.            |
| 8. Ms. R. Ndopu<br>Chief Development Planner                      | National Planning<br>Commission.            |
| 9. Mr. J. Le Roux                                                 | Ministry of Finance                         |
| 10. Mr. A. Agapitus                                               | Ministry of Basic<br>Education and Culture. |
| 11. Mr. A. Kapere<br>Governor                                     | Erongo Regional<br>Council.                 |
| 12. Rev. P. Goagoagoseb<br>Mayor                                  | Outjo Municipal<br>Council.                 |

**MINISTRY OF REGIONAL, LOCAL  
GOVERNMENT AND HOUSING  
MAY, 1998.**