

Perspective Report

JICA Group Training Program on Local Governance

TOPIC: Financing of Local Government Authorities for Effective Local Governance in Ghana

NAME: ISSAHAKU Mohammed

COUNTRY: GHANA

Outline of the Report

1 Abstract

2 Background

3 Why the issue is so critical

4 Assessment of the Issue in the light of Japanese experience

5 Proposal/Perspective solution to the Issue and Future Perspectives

Abstract

This is a perspective report on financing local government entities in Ghana to ensure effective delivery on their mandate. The report gives a brief history of the practice of decentralization in Ghana with some comparative analysis with that of Japan and enumerating some challenges particularly, with regard to funding on the part of Ghana. The report combines lessons learnt in lecture halls and field visits to various places in Japan as well as personal observation to make the analysis.

The report looks at various possibilities of raising revenue for effective functioning of the local government entities in Ghana. A comprehensive look at the Japanese model of local governance has also been taken into account highlighting the historical background of the current best practices with regard to funding both locally and by the central government allocation. The final part of the report discusses my future perspectives regarding the lessons learnt and how they could possibly be replicated in improving local government administration in Ghana.

Background

Modern local government system in Ghana has its genesis in the colonial era. Since then, it has gone through a series of changes, particularly, since the end of the Second World War and the attainment of political independence in 1957. The present local government set-up emerged from the local government reforms of the government of the Provisional National Defense Council (PNDC) in 1988. The reform was launched as part of the government's reform program to restore economic stability and growth after a period of decline in the economy of the country in the late seventies and eighties.

Ghana like Japan is a unitary state and operates a two-tier local government system consisting of ten regions (prefectures) and 216 metropolitan, municipal and district assemblies (municipalities). The difference between the decentralization of Ghana and that of Japan is that Ghana has a limited devolution at the regional (prefectural level) compared with Japan where the prefectures highly autonomous.

Prefectures (regions) in Ghana do not have revenue sources beyond what the central government allocates to them quarterly. Consequently they cannot carry out major projects as in the case of Japan. Instead, they are used as conduits for the execution of some central government projects.

Another sharp contrast between the decentralization model of Ghana and that of Japan is in the way their leaders are selected. Whereas in Japan governors and mayors of prefectures and municipalities are elected by the citizens, in the case of Ghana they are appointed by the President and confirmed by the parliament for the prefectures and by the counselors for the case of municipalities.

Identification of the Issue

The central government has transferred a number of responsibilities to the local government authorities without a corresponding transfer of funds to match the duties assigned. Under the decentralization program in Ghana, local government authority units are responsible for the provision of social amenities to the people within their areas of jurisdiction and this requires a huge capital outlay which they are not finding it easy to mobilize.

Consequently, the confidence levels of the citizens in the local government units are rapidly waning unlike Japan where the converse is true. The local government units are cash trapped and hence cannot effectively provide basic amenities such as schools, potable water, sanitary facilities and other welfare support to the citizens. Most of the local government units rely heavily on the quarterly transfer of funds from the central government known as the District Assemblies' Common Fund (DACF), which is known in Japan as the Local Allocation Tax (LAT).

Even though the local government units in Ghana are equally empowered under the law to levy the citizens and some other properties to raise funds for development, poverty levels coupled with low attitudes towards tax payment makes it difficult for the municipalities to raise funds for development. Besides this, small and medium scale enterprises in Ghana have not been given the needed support to grow into bigger companies that can make enough profits and pay appreciable taxes. The income taxes that are paid by the few viable companies in the municipalities are paid to only the central government leaving the municipalities with virtually nothing to use in carrying out development programs and projects.

Why is the Issue so Critical

The above issue is so critical that it has brought apathy among the citizens in their participation in local governance in their districts and municipalities. This has also led to stagnation in development in the local government areas of jurisdiction. The citizens are not keen in contesting local government level elections and this is a major challenge as far as local governance is concerned and democracy in general.

Assessing the Issue in the Light of the Japanese experience

Human resource development is an important pre-requisite for economic development. Japan is not endowed with natural resources yet it is among the most developed nations in the world. The secret of this development is not far-fetched. The nation believes in its human resource and will do whatever it will take to ensure that it is properly developed. Education both formal and informal, are considered among the top most priorities by Japan which every serious nation must emulate. This has made the citizens more informed on the need to pay taxes to their local governments. It has also put the citizens in a position to earn higher incomes and pay appreciable taxes to their local governments for development.

Democracy and respect for rule of law are the other attributes that are held high in Japan. The average Japanese believes in democracy and rule of law and hence the nation does not spend huge sums of money to enforce the law

Consequently, acts of corruption by public officials are difficult if not impossible to be observed in Japan. Public officials are virtually working within the full glimpse of the general public as a result of the omnibus arrangement of the offices. This arrangement does not only contribute to the maximization of office space, but it also makes monitoring and supervision very effective. The virtual absence of corruption has left the local governments with a lot of money to invest to improve the lives of the citizens.

The policy of voluntary amalgamation of local government entities in order to benefit from financial support from the central government has contributed to the efficiency and effectiveness of the merged municipalities. The merger has created synergy as resources have been pooled together for common interest of serving the aspirations of their citizens.

However, in my opinion, adequate plans should be put in place in the long run to address the issues that warranted the amalgamation so that municipalities whose sizes are too big for effective management, can split once-more. Amalgamation obviously is re-centralization of a kind.

The sources of revenue opened to local government entities such as local tax, local allocation tax, natural treasury disbursements, local bonds as well as local grants in Japan has obviously strengthened the municipalities to take charge of development in their areas and this will critically be examined by Ghana for application. As a result of the above arrangement in Japan, local government units have enough resources to even spend more than the central government. A clear case in point is the 2011 fiscal year, when central government expenditure was only 41.6% whereas local government expenditure stood at 58.4%.

Our visit to the Kawaguchi Municipality coupled with my general observation has revealed that all Japanese are Samurais when it comes to self-help. The citizens are meticulously cooperating with the city waste management authority by separating their domestic waste more than ten times before handing it over for further processing. This cooperative attitude of the citizens reduces the cost of waste management thereby giving the local governments more funds for development.

Kobe city demonstrates the Samurai qualities even more due to their geographical location in Japan. The rank and file of the citizens led by the City are always disaster prepared with the theme "Creating a safe and secure Kobe Together with Citizens". Ikeda City also has a key word that says "We create our own community by ourselves". Ikeda City promotes tourism to raise additional funds for development.

On support to small and medium scale enterprises, there is a lot to learn at Sumida Municipality. Their contribution to Local Economic Development of the municipality is so admirable. The municipality offers a one-stop service of various kinds of entrepreneurial support to the citizens and encourages innovation which obviously is a way of growing big companies and therefore more taxes from the companies.

As we are all aware, money is the life-line of every municipality for providing the needs of its citizens. Kokubunji Municipality and Kyoto Prefecture stand tall when it comes to mobilizing of local taxes for development. Here again I will give more credit to the samurais of Kokubunji city and Kyoto Prefecture for the success story for their cooperative attitude, without which the city and the prefecture could not have achieved much.

Proposal/perspective solution to the issues and future perspectives

On my future perspectives for addressing the issues identified, I will encourage the government of Ghana to continue and even improve the partnership of cooperation with JICA to afford many more Ghanaians at policy making level the opportunity to visit Japan to learn these best practices in local governance.

I will endeavor to share the knowledge and skills that I have acquired from Japan with my colleagues at the work place to create a multiplier effect within my organization. Attitudinal change is required in order to improve the finances of local governments in Ghana

Some of the best practices learnt in Japan may not need support from my superiors to implement and hence, I will start applying them with immediate effect and encourage my colleagues to follow suit. A case in point is in the area of time management , as the saying goes “time is money”. It is also said that punctuality is the soul of business.

Stiffer punishment must be meted out to the public servants who indulge in acts of corruption to serve as a warning to those want to embezzle public funds. This will not require policy changes because the policy is there it only requires enforcement.

I will also make personal efforts at any given opportunity to attempt influencing policy to reflect what I have learnt from Japan, particularly on the election of governors and mayors by the citizens. When citizens are given the opportunity to elect their leaders they listen to them more than when they are super-imposed on them. The leaders also knowing that their electoral destiny lies with the people tend to respect and carry out their wishes. I will also advocate for the use of persuasion in getting citizens to pay their taxes rather than the use of coercion. This approach was well demonstrated to us during our visit to the Kokubunji City.

CONCLUSION

I wish to conclude by emphasizing that my visit to Japan has widened my horizon in the practice of local governance which will surely translate into better performance when I return to Ghana. All the best practices learnt will be shared with my colleagues to ensure that many more people benefit from them

I want to take this opportunity to thank the government of Japan through JICA for the kind gesture of financing this very important course of local governance. My best and sincere thanks are also due to the management and staff of the Local Autonomy College for their good work of assembling very qualified and experienced professors as resource persons who were able to deliver as expected.

Thank you.