

## INTEGRATING THE PLANNING AND BUDGETING PROCESSES OF CENTRAL AGENCIES AND DISTRICT ASSEMBLIES UNDER FISCAL DECENTRALIZATION IN GHANA

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### ABSTRACT

*A fundamental challenge of resource investment in the public sector in Ghana is the failure of the system of budget planning, especially expenditure allocations to be associated by spatial differentiation of the country's economic growth. That is, the system does not represent optimal or the "best" distribution devolving greater accountability and responsibility through effective decentralization to regions and districts. The practice of sectoral investment programme planning leaves no doubt that it is generally less sensitive to the need to spatially coordinate planning decisions, let alone giving power and resources to local authorities for their own unrestricted use. Yet unless local people can influence the resource allocation system the opportunity to promote sustainable and balanced development is limited. Planning is a key process for resource allocation. This paper suggests the process of planning and budgeting that can be developed and implemented without departing significantly from that currently used by central agencies and the DAs, so that local people can influence resource allocation.*

**Key Words:** *Fiscal Decentralization, Expenditure Planning, Coordination, Public Policy Management and Balanced Development*

### INTRODUCTION

One of the basic challenges of allocations of government expenditure and resource investment including the donor component under fiscal decentralization is the system of budget planning. Fiscal decentralization is about the public sector financial machinery and is concerned with the division of related roles and responsibilities between the central and local government and the transfer of resources from the former to the latter for self-management. Under fiscal decentralization the role of district assemblies (DAs) as units of local government and focus for planning and management of all expenditures in the districts regardless of whether they are funded by the DAs themselves, ministries, departments and agencies (MDAs), transfers from the centre or donors, is underscored. Given this requirement the crucial question of concern is: How may the processes of planning and budgeting by central agencies and the DAs be organized or integrated in a manner that

promote the obvious synergies to be gained from such an enterprise in terms of balanced national development? The answer to this question depends partly on the paradigm within which development policy is pursued, and there is noticeable contrast between the sectoral and spatial-territorial views of policy pursuits in the country.

The purpose of this paper is, therefore, twofold: first, to suggest the objectives for a planning and budgeting system that will support fiscal decentralization within a local – territorial context and second, to propose a process that will meet these objectives while not departing significantly from the strategic planning focused medium-term expenditure framework (MTEF) and the district medium-term development planning (DMTDP) processes currently used by, respectively, the sectoral central agencies and district assemblies.

Different, though interrelated, information products provided the database for this paper. The country's constitution as the basic law and other legislation in the forms of acts of parliament, complemented by official statements, administrative circulars, project documents and reports were important sources of information. Most of the literature was, however, not specific and needed to be adapted to the unique requirement of the topic.

In practice fiscal decentralization is a controversial issue in most countries of the world because it includes the issue of power to control expenditure decisions in strategic areas of the public sector. The way in which these allocations are handled varies widely between countries and this may have evolved over many years within that particular political, social, economic and institutional context (Davey, 1983; Bahl and Shyam, 1986; Bird and Vaillancourt, 1998). Consequently, generalizations can be misleading and experiences may not also easily be transferred from one country to another.

Nevertheless, a review of international literature and experience on the topic can be enlightening. Results of a review of some of this literature suggest that the following factors are key in the design of an interactive process of central and local government operations under fiscal decentralization: importance of a clear strategy of decentralization, local fiscal autonomy which provides a wide margin of discretion and innovation for local governments because they are closest to the needs of the people, and a clear definition of roles of the various levels of government and the public and private sectors (CIDA 2001). It is noted, however, that maintaining fiscal discipline with autonomous local budgets for macro-economic stability, could be a major challenge.

With respect to allocation of functions, roles and responsibilities, available literature on international practices indicates that the national level MDAs are usually assigned the functions of macro-economic management, providing services that need to be provided on a larger scale and at central places, providing information and technical assistance, setting overall policies, establishing enabling conditions and monitoring and evaluating performance by regional and local governments

(Adamolekun, 1990; Dillinger, 1993). Regions are also shown to perform oversight functions in respect of local governments and to have clearly defined roles in areas where responsibilities are shared (Davey, 1983; Stockmayer, 1999; Engel, 1999).

Within the above context local governments translate policies into programmes and action plans that are implemented to impact on services that are local in character and consistent with allocation efficiency and the principle of subsidiarity – that decisions should be taken at the lowest available level (Kreibich, 1997; Wilde, 2000; Ikeanyionwu, 2001; Njiru and Deverill, 2002). The strong adherence to the principle of subsidiarity can guarantee that planning and development management decisions are made at the most appropriate level and closest to the need of the communities. It introduces the elements of partnership, cooperation and support into the public administration and management system.

These insights serve as background knowledge, while Ghana's experience and emerging systems and practices constitute the foreground factors for proposing a framework which predisposes or instructs resource investment and budgetary processes of the central agencies and DAs under fiscal decentralization (Kokor, 2003).

Generally, decentralization is increasingly seen as an important way of improving efficiency and effectiveness of service delivery in both the public and private sector. The need for increased efficiency and effectiveness of service delivery is particularly crucial in the situation where central and local government agencies are severally involved and their objectives and operations need to be harmonized.

Consequently, decentralization requires a process jointly owned by the central agencies and DAs. This should be supported with a framework for the implementation of the decentralized management system so that, among others, decision making and control can be close to the location of physical activities at the district level to facilitate quick response to emerging issues.



## CONTEXT FACTORS AND BUILDING-BLOCKS

### Regulatory and Institutional Environment

Chapter six of the 1992 constitution of the Republic of Ghana is devoted entirely to the directive principles of state policy. Contained here are mandatory policy decisions for creating sound development. These policy decisions include "making democracy a reality by decentralizing the administrative and financial machinery of government to the regions and districts and by affording all possible opportunities to the people to participate in decision making at every level in national life and in government" (Articles 35 (1) and (6) (d)). In particular, Article 36 (2)(d) states: "The state shall establish a sound and healthy economy whose underlying principles shall include ... even and balanced development of all regions and every part of each region, ... and, in particular, improving the conditions of life in the rural areas and generally, redressing any imbalance in development between the rural and urban areas"

By this constitutional requirement development decision making, including the acts of choosing and doing, is firmly situated within a spatial territorial-framework. Consequently, the principle of spatially coordinated development planning and concept of decentralized management and local government are specified, respectively, in Articles 86 and 87 and 240-256. A broadly-based multi-disciplinary National Development Planning Commission (NDPC) is created by Article 86 as apex institution and planning agency for coordinating sectoral and spatial planning functions and actions of the MDAs and DAs and for overall national development. Subsequent legislation, for example, the Local Government Act 1993, (Act 462), the Civil Service Law 1993, (PNDCL 327), the National Development Planning Commission Act, 1994 (Act 479) and the National Development Planning System Act, 1994 (Act 480), specify institutions and agencies which are planning authorities, their roles, responsibilities, relationships and planning outputs.

The place of the regional level as a crucial spatial-territorial unit in any decentralized system is widely recognized. This recognition resulted in the establishment of the regional coordinating council (RCC) for each region. While the region is defined as part of the local government system, it is assigned quite different type of development

management roles and responsibilities related to coordination and supervision. The region is to serve as the intermediate level where local and central government requirements and priorities interface and are reconciled (Kokor 1991, 2001). As a result, the RCC is well structured. It is made up of the following units: Office of the regional Co-ordinating Council, charged with the responsibility for regional management; Regional Planning Co-ordinating Unit (RPCU) whose members the NDPC in consultation with the RCC shall appoint to constitute a secretariat for development planning co-ordination for the RCC; and decentralized Departments at the regional level that are to be integrated into the RCC as technical and managerial units (Ghana Government, 1994).

This arrangement is aimed at achieving a number of objectives, including: removing overlapping responsibilities and functions between departments and local governments; duplication of efforts and difficulties of expenditure control; removing ambiguities in reporting; and creating a team of experts at the regional level to advise, offer technical assistance, promote innovations, forewarn on set backs; co-ordinate and regulate local government activities; backstop the DAs to compensate for capacity deficiency in all their institutional and operational needs; and serve as liaison agency between central Government and the DAs in terms of policy elaboration, project implementation and general management.

Overall, the regulatory and institutional context for integrating planning and budgeting processes of central agencies and the district assemblies appear well set-out. However, decentralization policy provides the framework and general direction.

### Decentralization Policy and Process in Planning and Budgeting

The policy of decentralization is a fundamental reform initiative generated by the political, social and economic dynamics of the country and promoted by Government of Ghana (GoG) since 1988. It is aligned with the process of democratization of decision-making and action. In general, decentralization is a process through which power and resources in the form of decision-making and responsibility are transferred from the centre to distant units for their own unrestricted use. The

decentralization policy in Ghana seeks to create democratic local governance that would bring about participation of greater majority of the people in decision making and action at all levels. The policy ensures a bottom-up integrated and participatory development planning process that would facilitate the active involvement of all, with possibilities for joint action by finding common ground among different interests and building collective strength. The aim is to create local institutions with strengthened capacity to own and manage their affairs and effectively engage with the state and its agencies (Kokor, 1998a; 1998b).

The decentralized planning process begins with the issuance of guidelines by the National Development Planning Commission to the various levels of government: the District Planning Authority at the district level, Regional Coordinating Council at the regional level and the Ministries, Departments and Agencies at the national level. Among others, the NDPC guidelines define areas of national policy, priorities and strategies for the medium term. They also provide the framework for the derivation of sector, regional and district goals, objectives, priorities and strategies, define the scope of district and sector plans, and prescribe the format for the preparation of district and sector plans. Ghana has a legal requirement for the preparation of integrated district and sector medium-term development plans. These plans have medium term outlook which span, usually, a period of 5 years. They are also rolling plans from which are distilled annual action plans that form the basis of the annual budget. While the NDPC guidelines set the development agenda for the medium term, the Ministry of Finance and Economic Planning (MFEP) on the other hand, issues annual budget guidelines within a medium-term expenditure framework (MTEF) which span a period of about three years. The guidelines from MFEP which are largely applicable to the MDAs follow the MTEF approach, incorporating the following: plan outputs and activities; estimates of personnel costs; estimates of administrative expenses and costing of service and investment activities.

The planning and budgeting processes by the districts also include the following: forecast of own-source revenues and expenditures for the year; review of fees and tax rates and approval by the assembly through passing of fee fixing resolution;

estimate of investment expenditure required to implement the annual plans; approval of the annual plan and budget by the assembly; and approval by the appropriate authority.

Evidence on the ground suggests that planning and budgeting at the central and local levels of government are done separately with little or no level of collaboration between these two agencies. The guidelines by the NDPC for planning and MFEP for budgeting are issued separately for the MDAs and DAs and there is no process of interfacing the two layers. There is also no document detailing out or defining any interfacing process.

The NDPC is said to have recognized the need to forge a link between the district planning process and the MTEF reform initiative on budget preparation. To ensure effective linkage between planning and budgeting and to enrich the process, it is important to note that there should be a point of convergence among the three identifiable levels of government namely national (MDAs), regional (RCCs) and districts (DAs). A planning conference or platform needs to be an important feature of this whole arrangement. In terms of institutional arrangement and regulatory framework of decentralization, the regional level (RCC) is already designated for this purpose. What has to be considered in this arrangement however is the system of donor support and country strategies. For example, the introduction of sector investment programmes (SIPs) is a contextual factor that will have its own impacts on the planning conference or platform arrangements referred to. The introduction of SIPs is an overlay to the other contextual factors, including decentralization to which adequate adjustment is expected to be made. It is in this light that the SIPs approach is briefly discussed and assessed.

#### **Sector Investment Programmes (SIPs)**

For what is currently known, the introduction of sector investment programmes (SIPs) in Ghana is associated with the World Bank as endorsed by donors. This is an essentially sectoral approach to development. Peter Harold, a one time World Bank country representative in Ghana, described SIPs as having the following main features (Harold and Associates, 1995): They are sector-wide in scope and coverage; they are based on coherent sector



policy framework; they are prepared and managed by local stakeholders, in particular bureaucrats located at central ministries; all major donors participate in the programme avoiding duplicating and conflicting with other donor projects; to the extent possible, all donors adopt the same arrangements for accounting, budgeting, procurement, progress reporting and the like; and they are in line with the country's institutional capacity.

Okidegbe (1997), on the other hand, characterized SIPs as long-term national sector programmes of public expenditures that are not confined to specific geographic areas nor restricted to time, but based on coherent macroeconomic and sectoral policies and appropriate institutional framework. The idea of "ownership by the local stakeholders" is said to be at the core of the SIP concept. Ghana has prepared and is implementing several SIPs in agriculture, basic education, water and sanitation, health and infrastructure (Heidebrecht, 1999; Jones, 1997).

Three main issues can be raised about experiences so far with the implementation of SIPs:

First, the key proponents of SIPs continue to be the sector MDAs. Thus while there may be "local" commitment to the programme, this may be limited to only a few bureaucrats/technocrats in the originating MDAs. These people could block important policy reforms during programme implementation. In that case, SIPs approach could be said to be nothing more than administrative means of relocating technical ministries, committees and large projects at the district level. Most do not carry the true mark of being closer to the people (Otzen, 2003).

Second, some of the SIPs have focused on involvement of the local communities in participatory planning related to delivery of specific services in the community in terms of choice of technology, service level and organization of operation and maintenance (O & M) of the service or facility. But little power, let alone resources, was given for their own unrestricted use. In deed, the time has come to examine whether the excessive reliance on the MDAs for the management of SIP activities is justified by empirical evidence.

Third, decentralization is an important process in promoting spatially oriented stakeholder participation and in improving service delivery, especially in rural areas. Decentralization, as understood, empowers local authorities and their constituents (communities) to make decisions about the services they want, where they want them and at what level of provision, how they are to be provided and the costs to be met. This increases the willingness of local communities to contribute to and maintain programme activities and outputs, thereby make them effective, responsive and sustainable. SIPs and MDA activities need, therefore, to be consistent with decentralization. In deed, most donor instruments are now sufficiently flexible to support the broad decentralization process (DANIDA, 2002; Ghana Government 2002).

Two main challenges of the SIPs context relative to resource investment and the budgetary process can, therefore, be stated as follows:

First, is the issue of SIPs integration into government at the various levels and in conformity with overall reform in areas such as public sector financial administration and fiscal decentralization. Second, is SIPs integration into the planning, budgeting and financial management system, which supports overall decentralization policy.

These issues are underscored in Section 4.4.8 of the Ghana Poverty Reduction Strategy (GPRS) framework which states that (Ghana Government, 2002): "The current sectoral and sub-sectoral allocations of government expenditure, including the donor component do not represent an optimum distribution in support of poverty reduction and growth. A better distribution must be achieved.... This will require experimentation and innovation to move from somewhat inflexible system of budget planning and to remove the rigidities in the system. The budget is an essential planning tool. Perspective and medium-term planning processes must be integrated with the procedures of MTEF and the annual budget. Significant adjustments are required to procedures.... What is needed for the medium term is a process jointly owned by the NDPC and MoF, the latter being concerned with GoG fiscal and economic management and the former with medium term policy planning, including the role of the private sector" (p28).

### Ghana Poverty Reduction Strategy (GPRS) Framework Conditions

Following from all the other factors, the Ghana Poverty Reduction Strategy (GPRS) 2002-2004, an Agenda for Growth and Prosperity, effectively opens the doors of interfacing planning, budgeting and financial management processes of the central agencies and DAs. It concurs all the other context factors already discussed. For example, it is intended to deepen decentralization and devolution of power to ensure that permanent mechanisms exist, or are created for a synergetic relationship between DAs and their communities, NGOs, civil society groups, private businesses and the public sector and between levels of government for overall national development.

The above is to be achieved through a multi-stakeholder dialogic processes and consensus building. Section 4.4.7 of the GPRS framework sums up the formal or official position as follows (Ghana Government, 2002): "The aim must be to decompose power to the district to the extent that assemblies are in effective and total control of their departments and staff within the context of relevant legislation. Ultimately district departments must have the capacity to carry out all district programmes and projects funded from their own resources and by central government. In the latter case, decisions on resource utilization including priorities and intra-district location must lie with the local authority. Central government should progressively use district assemblies as agents for the local provision of physical infrastructure and services wholly or part funded by the former. The goal is to provide for a situation where national development plans are an aggregation of local development plans and the latter are a disaggregation of the national plans. Dialogue between the national and local level must achieve a synthesis of mutually supportive measures which bind together national policies and local aspirations" (p.28).

Overall, therefore, the frame conditions and building-blocks for interfacing planning, budgeting and financial management processes of central agencies and the DAs exist and provide examples of mechanisms that can be used. The critical issues are the "whats" and "hows," e.g. what have to be done and how these should or could be done to support the stated goal.

### Objectives of a Planning and Budgeting Process under Fiscal Decentralization

Delineating broad objectives of a planning and budgeting process under fiscal decentralization in Ghana is like preparing a "vision map"; setting pre-conditions needed to achieve the overall goal stated under section 4.4.7 of the GPRS 2002-2004 already noted. This goal is to provide for a situation where dialogue between the national and local levels must achieve a synthesis of mutually supportive measures which bind together national policies and local aspirations. Thus, the processes should:

- (1) Focus on the district by being driven by the needs and priorities of the district; reflecting the total funds available to the district; and including all units under the district assembly.
- (2) Link and coordinate national and district planning by taking into account national objectives (e.g. sectoral priorities, functions, etc.), enabling a national plan to be prepared by partly aggregating local development plans as inputs and generating outputs which are compatible with the MTEF outputs for MDAs, using compatible process, time-table and time frame; and using a common terminology.
- (3) Involve all stakeholders: A stakeholder is defined here as anyone or any institution that has interests in, or is affected by, an issue or activity or transaction and, therefore, has a natural right to participate in decisions relating to it.
- (4) Address all revenues (e.g. internally generated funds, transfers from the centre including the District Assemblies Common Fund (DACF) allocations and donor funds) and expenditures (e.g. recurrent and development) of the districts and decentralized departments of ministries.
- (5) Reflect legislation, such as the role and responsibilities of cabinet, parliament, districts and sector ministries, departments and agencies (MDAs).
- (6) Identify accountabilities and directions, relationships and desired outputs, outcomes and impacts.
- (7) Be supported by monitoring and evaluation processes that will indicate progress being made toward carrying out an action, whether the desired purpose is



being achieved, how success is to be evaluated or measured, and what verifiable indicators are to be used.

While the existing planning and budgeting processes of the central agencies and DAs meet some of the above objectives, they do not meet all of them. The discrepancies are reviewed in the following section.

#### Highlights of Existing Planning and Budgeting Processes and the Need for Change

Highlights of reviews of the documentation for the district medium-term development plan process and for the MTEF process currently used, respectively, by the DAs and the central agencies (MDAs) are presented below. These reveal that:

- (1) The district medium-term development plan process does not appear to include indicative financial ceilings within which the plans and budgets should be formulated; it does not require or enable the districts to forecast revenues from central government and other non-local sources; it does not allow the plan and budget to be prepared on a composite basis, that is, including the plans and budgets of the decentralized departments; it also does not involve the sector ministries, departments and agencies (MDAs), and it is also not explicitly linked to budget preparation. It, however, usually reflects a 5-year planning horizon with an annual action plan and budget.
- (2) The MTEF process by the central agencies does not explicitly incorporate any linkages to districts; it is sector driven (e.g. the sector investment programmes - SIPs) and reflects very little the decentralized planning role of the districts. It is also complicated and comprehensive for all the districts to embrace every aspect.
- (3) National policies and local aspirations reflect planning and budgeting carried out independently at the central and local levels with little or no collaboration or measures to achieve a synthesis. As it is, each sector ministry and each district assembly undertakes a review of its broad policies and priorities to ensure their

consistency with national goals. For the central agencies the outcome of the policy reviews is discussed at cross-sectoral planning group meetings at which areas of omission, overlap, duplication and required collaboration are identified, differing priorities within or across sectors are resolved and expenditure implications of policies are addressed. The districts also meet at their respective regions with the RCC where the district medium-term plans are regionally harmonized, based on the identified needs of each district and regional (inter-district) priorities.

- (4) Guidelines by the NDPC for planning and by MFEP for budgeting are also issued separately to the central agencies at the national level and DAs at local level, and there is no process which binds together the two layers of government. However, to the extent that these documents reflect current national and local priorities, they provide the context and objectives for the subsequent planning and budgeting activities of both the central agencies and DAs.
- (5) Macro forecasts of revenues and expenditure ceilings are prepared by the MFEP while the central agencies prepare forecasts of both internally generated and donor funds. These forecasts inform the ceilings and the subsequent sector strategic planning. Once the central agencies have completed their policy reviews and revenue forecasts, the MFEP reviews and up-dates the expenditure ceilings which are prepared on a 3-year basis as the MTEF. The total availability of funds is determined by reference to the revenue forecasts. Once the ceilings are proposed by the MFEP, these are discussed at Cabinet level and, when approved, communicated in the budget circular.
- (6) Each MDA prepares its strategic plan outlining its goals, objectives, strategies, outputs/results, programmes, activities, priorities and costs. The DAs prepare their district medium-term plans, annual action plans and budget, emphasizing community participation and ownership

of the plan. The DAs approve of their plans after public hearings, submit these to the respective RCCs and relevant sector ministries and agencies as required by law for approval. Cabinet reviews and approves all estimates.

The overall picture is that there is inadequate vertical integration of the planning and budgeting processes of the central agencies and DAs leading to overlaps and inconsistencies. The process for the preparation of the medium-term development plans and medium-term expenditure framework, respectively, by the DAs and the central agencies need to be reviewed, rationalized and synchronized in close association with NDPC and MFEP. The NDPC and MFEP have particularly important and complementary roles in relation to long and medium-term development planning and formulation of expenditure framework and annual budgets. The complementary roles of each institution with procedures for the joint preparation of medium-term development plan and expenditure framework need to be clearly outlined. The next section of this paper takes this perspective forward in relation to how this could be done. It describes the components that need to be present and complementary and also defines the format for joint action. Allied to format is the importance of the process to be adopted. Significant aspects of the process relate to joint participation, linking with and embedding into other processes, and the eventual integration.

#### **Proposed Framework for Integrating Planning and Budgeting Processes of Central Agencies and District Assemblies**

The proposed framework and its key features are set out in the Figure below. The structure incorporates much of the existing MTEF planning processes for central agencies, but is modified to allow a consistent and, perhaps, simplified process to be put in place at the regional level which will give effect to the medium-term development planning process of the DAs. The most prominent feature of the proposal is the planning platform/conference component at the regional level. The platform is a meeting point and a communication forum of the central agencies and the actors actively engaged in the development of the DAs and their respective regions. It is created to promote dialogic communication in which the central and local actors can exchange their views on issues by means of

messages which are mutually understood. This is expected to stimulate or generate actions with the objective of building consensus. The other features are described in the following paragraphs:

#### **Definition of National Goals and Development Framework**

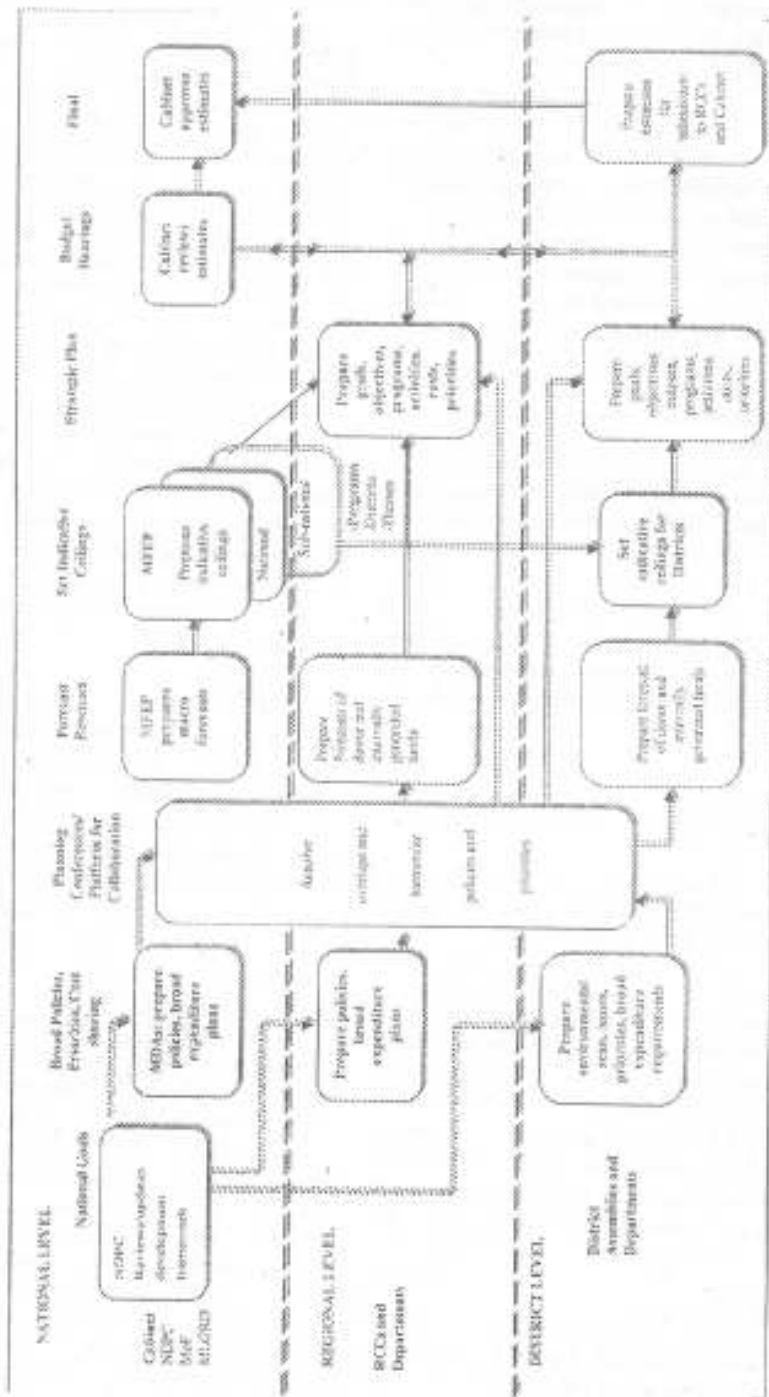
As it is now, the NDPC periodically reviews the national development framework by updating guidelines for the preparation of medium-term development plans. To the extent that these updates reflect current national and local development aspirations and priorities, they provide the context and objectives for the subsequent planning activities of central agencies (MDAs) and District Assemblies. However, as experiences of the processes leading to the formulation of current GPRS framework suggest, a national planning process that is conducted principally at the central government level and in the national capital, is unlikely to be responsive to the needs of district assemblies and their communities. It is, therefore, proposed that the planning context be established primarily during the Planning Platform at the regional level in which the national and local levels of government participate as equal partners and stakeholders.

#### **Policy Reviews**

Currently each MDA undertakes a review of its broad policies and priorities to ensure their conformity with national goals and policies. The outcome of the policy reviews is discussed at the level of cross-sectoral planning groups at which discrepancies are identified and resolved and expenditure implications are addressed. The districts rarely carry out such an exercise in any serious manner. The proposal, therefore, is that each district assembly begins to undertake a review of its broad policies and priorities. This review should bring together all the decentralized departments in a combined review of policies and priorities as they relate to the development goals, objectives and outputs of the district. The expenditure implications of policies and priorities should be estimated as input to the setting of ceilings. It is clear that this proposal assumes the context of fiscal decentralization and composite spending of DAs and the decentralized ministries, departments and agencies operating at the district level. The planning platform proposed at the regional level is to ensure that the two separate processes described above are interfaced.



A Proposal for Integrating Planning and Budgeting Processes of Central Agencies and District Assemblies under Fiscal Decentralization



Source: Adapted from CIDA from (2001) Ghana Fiscal Decentralization Project, Design Report, p.95

The regions and district assemblies must be represented in resolving overlaps, duplications and the like in terms of investments planned for their areas at the planning forum. The practical difficulties of resolving conflicts and coordinating the priorities of more than 110 metropolitan, municipal and district assemblies with those of the sector ministries, departments and agencies suggest a process that should be regionalized and coordinated by the NDPC, MFEP and MLGRD and in which:

- Each RCC and its constituent districts first meet to develop regional priorities based on the identified needs of each district. The existing process of regionally coordinated district medium-term development plans does not satisfy the above requirement. The formulation of a regional development plan is envisaged.
- The RCCs and planning teams of their DAs meet with MDAs to resolve cross-sectoral and spatial/location issues.
- The RCCs meet with their constituent DAs to consider outcome of the above reviews.

#### Revenue Forecasts and Setting of Ceilings

The Ministry of Finance and Economic Planning (MFEP) forecasts of revenues should be used by it to estimate the District Assemblies Common Fund (DACF) and other transfers to the regional and district levels. DAs will also forecast internally generated funds, other central transfers and donor funds. Ceilings proposed by MFEP are to be allocated between the national and district levels and between regions and broad sectors or thematic areas, as spelt out in the national development framework, the GPRS. These allocations should take into account the respective roles of each level of government, the policies and priorities established in the policy reviews, agreed cost-sharing, principles of fiscal equity, spatial equity and subsidiarity and other initiatives identified and agreed upon at the planning forum.

#### Strategic Plan and Budget Approval

As a modification of the existing practice, it is proposed that the planning and budgeting processes of DAs focus on the activities needed to achieve the desired outcomes and strive to emphasize both

community and corporate assembly participation and ownership of the plan. Both the MDAs and DAs would prepare their estimates once the strategic plans are finalized. The DAs approve their plans and estimates for submission to the RCC and relevant bodies. Cabinet reviews and approves estimates of both MDAs and DAs.

#### Evaluation and Conclusion

It is recognized that there are still some outstanding issues and questions that need to be resolved before the proposed process can be fully operational. For example, the assumption is that budgets are broad-based, integrated and composite and can be uniformly classified and applied throughout. There is also the assumption that historic expenditure statements exist on a composite basis that might form the basis of setting indicative ceilings for the first cycle of the process. It is also obvious that the proposed planning platform at the regional level is far away from popular citizen participation. It does not, therefore, sound earnest to support the intention to replace participation at the village level with a regional platform.

However, the question of participation on a regional scale is still open if not in political terms, but from technical and management viewpoints. Even then, the outcome of the regional platform is subject to local discussions at the corporate assembly and community levels. Additionally, the platform at the regional level should, and is expected to, concentrate efforts on inter-district interests rather than on pure community or village issues. As noted before, the entire process requires experimentation and innovation to move from the existing somewhat rigid system of budget planning to a system of flexibility achieved through dialogue, consultations and negotiations.

The proposed structure builds upon already existing framework at the regional level. Significant aspects of the processes proposed also relate to joint participation and communication where considerable experience already exists. It is contended that the combined effects of those factors can produce tremendous positive results. For it is readily apparent today than ever that when central agencies and local government — the DAs, find suitable institutional frame and a form of



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platform for dialogue, they can jointly promote development or changes, which neither of them could achieve alone with comparable effectiveness. This is especially when, as in most cases, national and local interests do not coincide.

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