

Ghana's Path to an Industrial–Led Growth: The Role of Decentralisation Policies

Ama P. Fenny¹

¹ Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, Ghana

Correspondence: Ama P. Fenny, Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, P.O. Box LG 74, Accra, Ghana. Tel: 233-243-343-855. E-mail: amafenny@yahoo.co.uk/apfenny@ug.edu.gh

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Abstract

Ghana's industrial sector has evolved with the various stages of political and economic reforms since independence in 1957. Efforts to decentralize its key institutions to enhance economic growth has seen very little success especially in the area of linking industries to local institutions. Recently, the economy has been dampened by worsening macroeconomic environment, huge regional disparities and power crises. A number of policy and programme initiatives by the government have been undertaken especially in the area of revamping the local economies through the existing decentralized systems. This paper presents a critical review of the role of decentralized institutions in industrialisation in Ghana. The paper utilises annual data from the Ministry of Finance and Ghana Statistical Service from 1981 to date to show trends in growth patterns in the selected indicators.

Despite key interventions, some regions in Ghana have failed to develop. The envisioned industrial geographical dispersion has not been realised as we find many Ghanaian industries concentrated in a few regions. The paper highlights the challenges facing Ghana's decentralized institutions and identifies the opportunities that can catalyse the growth of Ghana's industrial sector if key policy strategic reforms are undertaken. An industrial-led growth will ensure that the manufacturing sub-sector will be boosted to improve production and provide jobs. Industrialisation has been projected at the forefront of government's development agenda. The paper provides a review that highlights the need to support decentralised institutions to enable them stimulate investment in industrial sector.

Keywords: industrialisation, decentralisation, local institutions, Ghana

1. Introduction

Ghana has recorded sustained economic growth over the last 20 years with the GDP annual growth rate averaging 6.97 percent from 2000 until 2016. Even though Ghana met the Millennium Development Goal's (MDG) target of halving poverty by the year 2015, growing disparities in income and widening inequality remains a huge challenge. Ghana's status as a lower middle income country has not been reflected in increased productivity or a reduction in unemployment rates. Ghana's current development plan – Ghana Shared Growth and Development Agenda (GSGDA) II (2014-2017), envisions a structural transformation of the economy through industrialisation as the key driver (NDPC, 2014). Ghana's industrial sector is projected to grow significantly in the next few years although the sector recorded its lowest growth rate in twenty years of 1.2 percent in 2015. The anticipated sectors to boost the industrial sector include the mining and quarrying sub-sector as well as the manufacturing sector. The establishment of the Industrial Development Fund is expected to support some selected manufacturing industries. In spite of these projections, the industrial sector continues to underperform with the internal energy crises and the external hit from declining oil and commodity prices.

Ghana's path to industrialisation started like many developing countries in the 1960s and 1970s, when the country pursued state-led, import substituting industrialisation as the key to rapid economic growth. However, these industries were frequently uncompetitive and unsustainable, and efforts to spur industrial development in Ghana largely vanished in the 1980s and 1990s (Ayelazuno, 2014). Indeed, many countries in Africa, Ghana being no exception, are yet to break into global industrial markets as they are increasingly challenged by new

lower-income competitors.

For many decades, the typical economic growth trajectory was increased agricultural productivity followed by growth in manufacturing. Past experiences in other regions have emphasised industrialisation as the driving force of economic development, typical examples, in East and Southeast Asia since the 1960s. In Africa, the picture is starkly different, rather the agricultural sector is being replaced by an expanding services sector, accounting for over 50 percent of GDP. The low contribution of manufacturing to Africa's economy at 11 percent of GDP highlights the huge untapped potential of natural resource endowments in generating socio-economic growth and development in Africa. This can be addressed with the establishment of clear strategies for industrialisation and value addition. However, the optimal path of economic development in Africa still remains uncertain. Sadly, labour productivity in the services sector remains very low with many employed in the market service sector characterised by retail, distribution and trade services.

Recent growth empirics have emphasised effective institutions, good governance, openness to trade and financial deepening as the fastest way to grow. Structural transformation is needed in Ghana and many sub-Saharan African countries, whose economies are still to a large extent dominated by subsistence agriculture (Ayelazuno, 2014). Industrialisation provides Ghana with opportunities for unlocking new and more-productive activities. However, it will be necessary to raise productivity across all the regions in the country if we are to achieve shared growth and create employment. The question therefore remains as to the extent to which our decentralised institutions can accelerate industrial growth, enhanced by the equitable distribution of resources and investments to improve the livelihoods of all Ghanaians.

The importance of including decentralised institutions in economic development has been mentioned by some authors (De Wit, 1997, Rondinelli, 1981), noting the limited progress of decentralisation in Ghana's industrial set up to date. Specifically, in Ghana, a number of authors have raised issues around the government's role in the industrialisation agenda. Arthur (2006) looks at the state's role in promoting the private sector and concentrates his paper on the policies of the New Patriotic Party (NPP) in 2004. In relation to economic growth and poverty, Ayelazuno (2014) emphasizes the failure of the central government to diversify the economy by allowing the industrial sector to drive growth as countries such as South Korea and Malaysia. Although both papers look at the role of the state, none of them refer specifically to the role of decentralisation process and its key actors. This paper aims to ascertain Ghana's decentralisation evolution and how the process has equipped local institutions to drive the process of development through the industrial sector. The paper highlights the fact that bridging the gap between institutions and national policies is crucial in achieving growth and development in Ghana.

The subsequent sections will examine the roles of local governments in Ghana's decentralised system, provide an overview of Ghana's current decentralisation policy and its effect on industrialisation and propose measures to make decentralisation work in Ghana's industrial-led growth agenda.

2. Methodology

The approach involves a desk study relying mainly on secondary sources of data. These include published and unpublished materials such as journal articles, books, reports, archival sources. Additionally, the study relies on data from the Ministry of Finance and Ghana Statistical Service to show trends in growth patterns in the selected indicators.

3. Results

3.1 National Context

Ghana is a tropical country on the west coast of Africa, with an estimated population of 26.6 million in 2013 based on the Sixth Round of the Ghana Living Standards Survey (GLSS 6), (GSS, 2014) with females accounting for 52 percent and males 48 percent. Life expectancy is estimated at about 61 years and the adult literacy rate (age 15 and above) at 56 percent. The country has 10 administrative regions and 216 districts and is administered by a democratically elected executive President with an elected Parliament and independent judiciary.

Ghana's annual growth in gross domestic product (GDP) was steady, averaging between 4 and 5 percent in the 1990s, ultimately reaching a stable rate of nearly 8 percent after 2006. Ghana's rapid growth accelerated poverty reduction, cutting the poverty rate from 52.6 percent to 21.4 percent between 1991 and 2012. In 2012, Ghana's poverty rate was less than half the African average of 43 percent. Extreme poverty declined even more, dropping from 37.6 percent in 1991 to 9.6 percent in 2013.

Although agriculture is still the main sector of employment, diversification of the economy beyond agriculture helped drive economic growth. Ghana's economy, which until 2006 was dominated by agriculture, is now led by

services (54.5 percent), followed by industry (25.3 percent) and agriculture (20.3 percent) in 2015 (Figure 1). While other regions have increased their share of non-oil exports over the last two decades, almost two-thirds of Ghana's merchandise exports are still accounted for by agricultural, fuel and mining products. Gold and cocoa were the leading export earners until 2011 with the commencement of substantial oil exports. However, with the prices of these commodities falling substantially from 2014, an economic downturn has been inevitable

The depreciation of the cedi by over 20 percent in 2015 created a hostile environment for businesses and industries as imports became even more expensive to procure. Since 2012, Ghana's economic growth performance has rapidly deteriorated owing to substantial budget deficit and energy crisis that has crippled the manufacturing sector including a low application of science, technology and innovation (ISSER, 2015). Over the medium-term, the structure of the economy is projected to be composed of a significantly expanded Industrial sector that will contribute about 30 percent of national output; a Services sector that will produce about 51 percent of national output, and a more productive Agriculture sector that will contribute about 19 percent of national output.

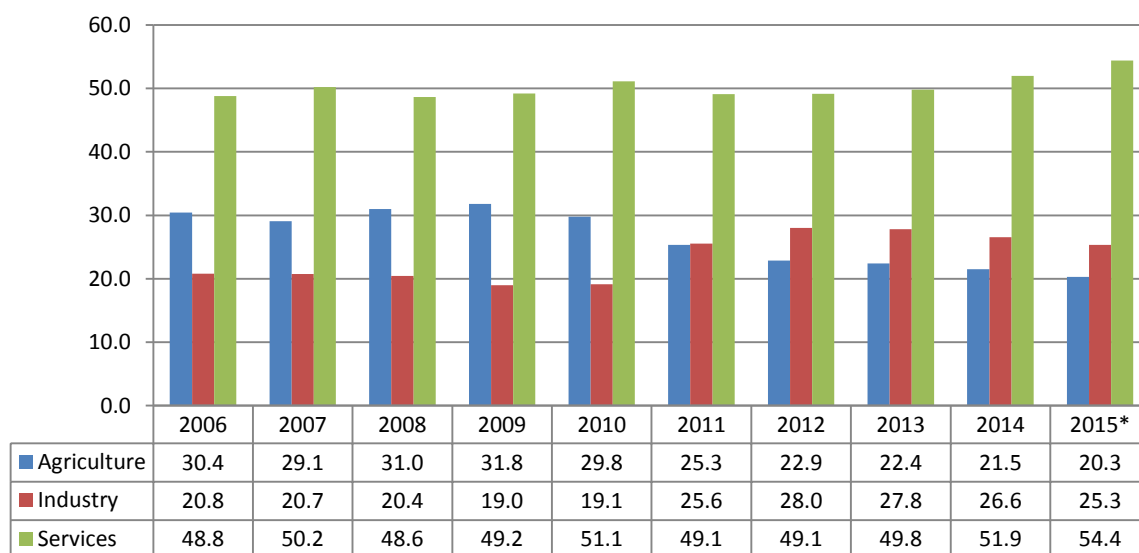


Figure 1. Sectoral contributions to national output, 2007-2015* (% of GDP; at basic prices)

Note. *Provisional (annual).

Source: GSS, 2016.

3.2 Industrialisation in Ghana

Industrialisation is integral to economic development. The past indicates that very few countries have developed without industrializing, and rapidly growing economies also tend to have rapidly growing manufacturing sectors. The economies of East Asia transformed themselves into industrial powerhouses within a generation, and we have seen the unprecedented pace of industrialisation in China and India shifting millions of people out of poverty. Quite noticeably, industry seems to be making a historic shift to the developing part of the world where we see more and more industrial output and employment. It is for this reason that industrial development remains a high policy priority of governments in East Asia.

However, others have argued that it may be possible to bypass manufacturing and shift into high-productivity services, citing the example of India (Ghani et al., 2012). What does this mean for Ghana? Can this be a similar route, in view of the fact that the continent's services sector is indeed the largest growing sector and the highest contributor to GDP? Unfortunately, there are many setbacks regarding the success of this route for Ghana – low level skills, lack of markets and highly competitive nature of the service industry. Industrial development therefore holds the tremendous transformative key to sustained economic growth.

Ghana's post-independence industrial development has evolved from an import substitution industrialisation (ISI) strategy to the current programme of private sector-led industrialisation (Arthur, 2006). Since the early 1980s, Ghana embarked on Structural Adjustment Programmes (SAP), launched by the International Monetary Fund (IMF) and the World Bank, which were meant to address the economic failures of the past regimes and also stimulate key sectors to restore equilibrium. Trade liberalisation was intended to provide corrective signals and incentives to the manufacturing and other sectors, increase the level of competition and technical efficiency, and

stimulate factor productivity.

The industrial sector of the Ghanaian economy comprises mining, construction, manufacturing and electricity and water sectors, a classification which is consistent with the national income accounting framework used for analyzing development in this sector of the economy (ISSER, 2004). Industrial sector growth, however, declined from the early 1980s, picking up from 1985 and thereafter declining for the next decade, recording a period average of 4.1 percent between 1989 and 2007. As shown in Figure 2, growth fell from 17.6 percent in 1985 to 3.1 percent in 1991 and further to 1.3 percent in 1994. As part of its broader Growth and Poverty Reduction Strategies (GPRS I and II) from 2003 to 2009, government interventions aimed at accelerating private-sector led industrialisation. This was to be achieved through targeted investments in diversifying the country's export base through the development of export processing zones (EPZs), liberalised skies and free ports.

Attention was also given to improving infrastructure to provide an adequate base for local industries to thrive. In a series of Presidential Sector Initiatives in 2001, the Government also made a commitment to target the cassava starch, textiles and garments, palm oil, and salt sectors for export promotion (Arthur, 2006). Sectors were selected on the basis of their ability to generate rural employment; be technology-driven; have the potential to earn foreign exchange and have multiplying effects on the economy. However, growth in the industrial sector remained sluggish. Structural constraints (unreliable water and power supply, infrastructural bottlenecks, problems of land acquisition, unstable industrial relations environment and perverse bureaucracies at the ports) combined to impede manufacturing and overall industrial sector growth.

To support viable industries, the government set up a number of institutions and programs. These included the setting up of the Business Assistance Fund (BAF), the Private Enterprise and Export Development Fund (PEED), the Trade and Investment Programme (TIP), the Fund for Small and Medium Enterprises Development, the Export Processing Zone (EPZ) and the Ghana Trade and Investment Gateway project (GHATIG). It was expected that institutions will play a key role in developing the industrial sector, yet the impact of these investments are yet to be felt.

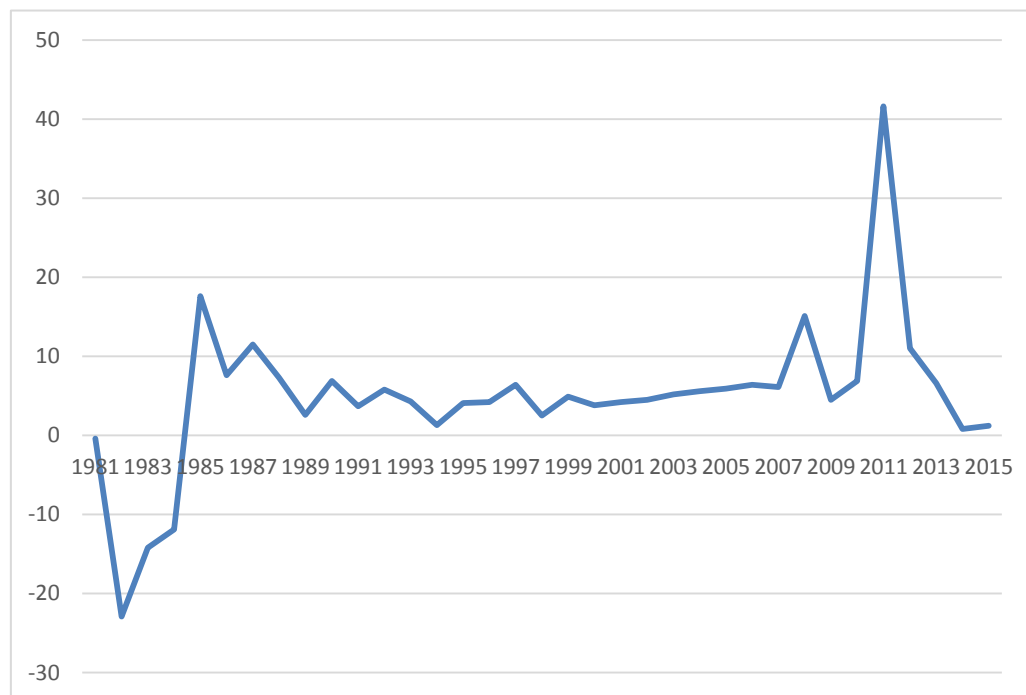


Figure 2. Industrial growth rate in Ghana (1981-2015)

Source: Ministry of Finance (various budgets).

Under the currently medium term agenda (GSGDA II), the industrial sector is expected to play a pivotal role through enhanced growth in the construction sector; infrastructure development in the oil sector, energy and water subsectors and an increase in output from the mining sector, especially in salt production. The emerging policy issues relate to the key developmental objectives of the current industrial policy including how to

empower the private sector especially SMEs to expand productive employment and technological capacity within a highly competitive manufacturing sector; how to promote agro-based industrial development to ensure value-addition to locally manufactured goods and Ghana's exports; and how to promote the spatial distribution of industries away from the current concentration of industries within urban areas (NDPC, 2010). In spite of these measures, the relatively low overall growth rate of the industrial sector still continues after the brief hike in 2011, with the lowest growth rate of 1.2 percent recorded in 2015. This has been largely associated with the reduction in electricity supply, rising fuel prices compelled many firms, especially those operating in import-dependent manufacturing, to cut production.

3.3 Decentralisation

Due to its many failures, the centralised state has lost a great deal of legitimacy, and decentralisation is widely believed to promise a range of benefits. Since independence, many African countries embraced the notion of decentralisation particularly because it held the promise of allowing the involvement of local people in the development process (De Wit, 1997, Rondinelli, 1981). This view is supported by Laski (1982) who concludes that certain problems are best solved by local governments and the fact that local needs will be met more adequately when local governments are established and empowered to do so. The local government becomes a bridge between the central government and the people they represent ensuring that local governance and development is devoid of excessive central control. Beyond this, local governments are well placed to create and provide opportunities for local participation within the national developmental plans, achieving overall economic growth as they build their local economies (Goel, 2010).

The concept of decentralisation has been widely used to mean the transfer of the responsibility for planning, decision-making, or administrative authority from central government to its field organisations or simply put the transfer of power (Rondinelli, Nellis and Cheema, 1984:9). Decentralisation has several dimensions and has been operationalised in different forms across different countries and within different sectors (Litvac et al., 1998:4). Four major forms of decentralisation have been defined based on the extent of power transferred from the central to other organisations which also reflects the level of autonomy given these organizations within which they operate. Rondinelli et al., (1984:10) have distinguished these forms as deconcentration, delegation to semi-autonomous or parastatal agencies, transfer of functions from public to non-governmental institutions and devolution.

Over the past decades, many developing countries including Ghana have embarked on decentralisation to promote democratic governance and participatory approaches in development. Decentralisation has led to the deconcentration of power by its transfer from the central to the local governments (Philips, 1996; Crawford, 2004). Many theories support the decentralized decision making process as being pivotal the development of local communities on the basis of efficiency, accountability, and autonomy (Shah, 2006:3-4). Historically, local government institutions have played a critical role in the transformation of countries the world over and continue to play important roles in the economic development of both developed and developing countries.

Decentralisation also plays a role in employment. Some local governments are also directly involved in the provision of services that create jobs and income for the local people (Olowu, 1988). A large number of developing and transition economies in Latin America, Africa and Asia have embraced some form of decentralisation as one of their major governance reforms (World Bank, 2000; Burki, Perry, & Dillinger, 1999). For instance, decentralisation has been instrumental in the impressive industrial growth in China.

3.4 Decentralisation in Ghana

The current decentralisation policy of the country can be traced to the late 1980s when the government, introduced decentralisation in order to promote participatory democracy (Ghana, 1996:7). This was done through local level institutions, devolving administration, development planning and implementation to local government units (Goel, 2010). The aim was to promote transparency and accountability and incorporate economic, social and environmental issues into the development planning process. District Assemblies were required to coordinate district level sectoral programmes and projects directed towards poverty alleviation, with stakeholders such as donors, Non-governmental Organisations and Community-Based Organisations and private sector enterprises (Ghana, 1996).

In 1992, a new Constitution was passed as the country moved back to democratic government. The Local Government Act of 1993 (Act 462) section 79 (1, 2 and 3) and the National Development Planning Systems Act of 1994 (Act 480) Section 1(3, 4), 2 to 11 under this constitution, confer numerous powers on local governments including the powers to borrow, invest, charge interest on contracts, deliver services through contracts, enter into joint ventures among themselves and charge fees. Using these powers, local governments in Ghana have charted

their own development plans and have embarked on programmes for service delivery in areas such as water, sanitation and solid waste management.

The process of decentralisation spans almost 30 years and has gone through a number reforms. Ghana can be said to be practicing devolution, whereby political authority has been devolved to District Assemblies with the mandate to manage, formulate policies and ensure the enactment of by-laws for their districts. The question however, is how this devolution of political decision-making power to local level institutions translates to the development of districts.

3.5 Structure and Key features of Decentralisation in Ghana

Ghana has ten administrative regions, each headed by a Regional Minister who is appointed by the President. A three-tier structure, consisting of Regional Coordinating Councils (RCC), District Assemblies and Town/Area Councils and Unit Committees (Figure 3). The District Assembly (DA) is the basic unit of government as well as the statutory, deliberative and legislative body for the determination of broad policy objectives and critical assessment of development progress. It is the highest political authority in the district. The DAs (currently 218) comprise of 70 percent elected members; members of Parliament whose constituencies fall within the area of authority of the DAs as non-voting members and the District Chief Executive (DCE), who is the appointed chief representative of the central government in the district. The remaining 30 percent of the total membership of the DAs are appointed by the President in consultation with traditional authorities and interest groups. The DAs elect one of its members as the Presiding member who presides over meetings of the DAs.

The Assembly functions through the Executive Committee (on which up to 1/3 members of the assembly may serve) and its subsidiary committees. Each Assembly member must belong to at least one committee. About 22 departments and organisations have been placed under the DAs to provide technical and managerial back-up. The main sources of finance comprise local taxation and the District Assembly Common Fund (DACF), a constitutionally guaranteed not less than 5% of total government collected revenue. It is shared by a revenue sharing formula approved by parliament. A third source is the 'ceded revenue', under which the central government cedes to the DAs the right to receive certain taxes which were previously collected by the centre. In theory, the district assemblies have been empowered to provide the machinery for the economic and social development of their districts.

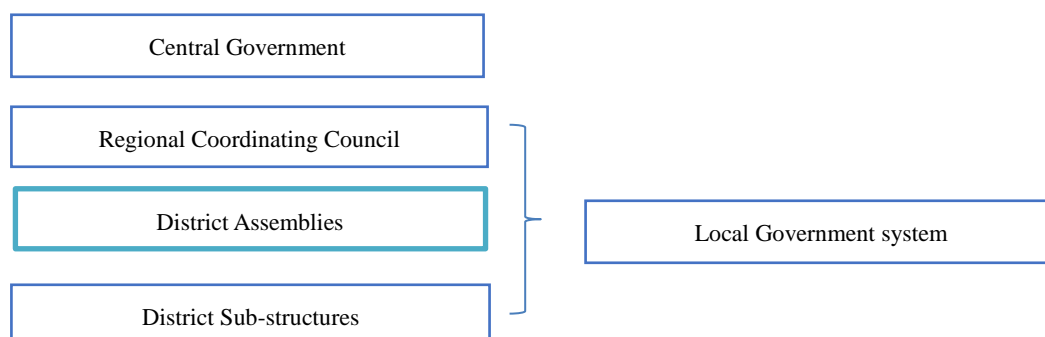


Figure 3. Structure of Ghana's decentralised system

3.6 The Role of Local Government Authorities (LGAs) in the Development Process

Under the National Development Planning (System) Act 1994 (Act 480), the Metropolitan, Municipal and District Assemblies (MMDAs) are the basic planning units of the decentralised planning system, and constitute the administrative and political authority at the local level (Figure 4). While preparation of a national development plan is the responsibility of National Development Planning Commission of Ghana (NDPC), the responsibility for sub-national development planning is vested in the MMDAs operating through their Executive Committees and the District Planning Coordinating Units (DPCU). MMDAs are responsible for the overall development of the district and must ensure the preparation and submission of the development plan and budget for the district to the government for approval. The monitoring and evaluation of the implementation of the key policies outlined in the Coordinated Programme at the local levels is the responsibility of the MMDAs, based on agreed set of indicators and targets. Though the legal frameworks support the local governments in the development process, they fail to specify what these MMDAs are supposed to do which gives room for some local governments to perform poorly.

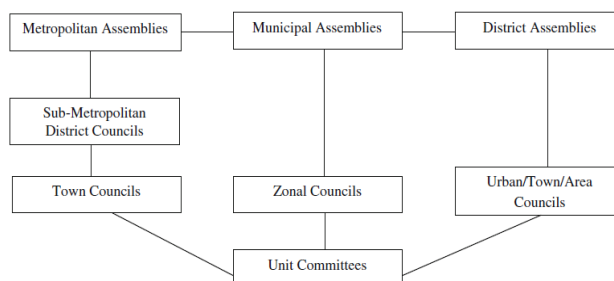


Figure 4. Ghana's district assembly structure

Source: Government of Ghana (1996).

3.6.1 The Regional Coordinating Councils

There are ten regional coordinating councils, one for each of the ten political regions in the country. The regional coordinating councils are administrative and coordinating bodies. The councils monitor, coordinate and evaluate the performance of the District Assemblies in their various political regions. They again monitor the use of all funds allocated to the District Assemblies by the central government and review and coordinate public services in the region.

3.6.2 The District Assemblies

The local governments in Ghana are either metropolitan (with a population over 250,000), municipal (one town assemblies with populations over 95,000) or district (population 75,000 and over). A metropolitan/municipal/district assembly is created as the pivot of administrative and developmental decision-making in the district and is the basic unit of government administration. District Assemblies are accorded wide-ranging powers by the 1992 Constitution and the Local Government Act of 1993 within their designated geographical areas. Some of their delineated functions include the following:

- To ensure the overall development of the district. This comprises the preparation and submission through the Regional Coordinating Council for approval of the development plan and budgets by the National Development Planning Commission of Ghana and the minister of Finance respectively for the district.
- To formulate and execute plans, programmes and strategies for the effective mobilisation of the resources necessary for the overall development of the district.
- To promote and support productive activity and social development in the district and remove any obstacles to initiative and development and initiate programmes for the development of basic infrastructure and provide municipal works and services in the district.
- To develop, improve and manage human settlements and the environment in the district in cooperation with appropriate national and local security agencies, and to maintain security and public safety in the district.
- To ensure ready access to the courts and public tribunals in the district for the promotion of justice. Related to this they shall initiate, sponsor or carry out such studies as may be necessary for the discharge of any of the functions conferred by this Law or any other enactment and perform such other functions as may be provided under any other enactment.

3.6.3 Sub-District Political/Administrative Structures

These sub-district structures are subordinate bodies of the District Assemblies. They include the sub-metropolitan assemblies, urban/town/zonal/area councils, and unit committees. The sub-metropolitan district council structures are immediately below the metropolitan assemblies (Figure 4). This arrangement has been dictated by the complex and peculiar socio-economic, urbanisation and management problems which confront the metropolitan areas. The urban councils are peculiar to settlements of "ordinary" districts. They are created for settlements with populations above 15,000 and which are cosmopolitan in character, with urbanisation and management problems, though not of the scale associated with the metropolitan areas of the country. The zonal councils are in the "one-town" municipal assemblies for which the establishment of town/area councils will raise problems of parallel administrative structures. They are based on the following criteria: commonality of interest, population of 3000 and identifiable streets and other land marks as boundaries.

The town councils are found in the metropolitan and district assemblies. In the District assemblies, town councils are established for settlements with populations between 5000 and 15,000. Area councils exist for a number of settlements/villages which are grouped together but whose individual settlements have populations of less than

5000 in the districts. These cover areas with predominantly rural populations and in some cases can be identified with spheres of influence of a particular traditional authority.

A unit is normally a settlement or a group of settlements with a population of between 500 and 1000 in the rural areas, and a higher population (1,500) in the urban areas. Unit committees being in close touch with the people play the important roles of education, organisation of communal labour, revenue-raising and ensuring environmental cleanliness, registration of births and deaths, implementation and monitoring of self-help projects, among others (Figure 4).

3.7 Local Government Approaches and Strategies for Development

From the immediate period after independence in 1957 to the mid-1980s, economic development at the local level was the preserve of the central government. Government agencies planned these without the active involvement of local level actors and implemented them at the local level. Economic development was left to the central government and not to local administrative units. With the creation of the current local governments in the country, they are expected to be actively involved in the process of promoting and supporting economic development.

Based on the Local Government Act (Act 462), to promote economic development, local governments may promote the local economic development of their geographic areas through various interventions. But, it must be emphasised that the majority of the local governments do not have a specific policy on economic development. Local governments across the country have been implementing projects to support economic development. Various integrated development plans are prepared periodically and these often include policies, programmes and projects to develop their areas. These plans and programmes range from infrastructure to capacity development and they cut across all sectors of the various local economies.

Some of the local governments promote development activities based on the resources available in their local areas. For instance, they may promote agricultural development if their areas are predominantly farming areas by supporting farmers through provision of agriculture infrastructure, logistics and seeds. Agriculture extension agents of the local governments also help provide the necessary guidance to farmers in such farming areas to reduce harvest losses. Some municipalities help farmers to access markets for their produce. A study conducted in the Ejisu-Juaben Municipality revealed that, to boost production, the municipality had provided bags of fertiliser to farmers and also carried out massive cocoa spraying to boost cocoa production.

Others also support basic industrial and business development in their areas of jurisdiction. In line with the mandate to support agro-based industries to boost export-value of crops, efforts have been made to support micro, small and medium enterprises engaged in small-scale agro processing activities (Mensah et al., 2013). Local governments have been instrumental in providing infrastructure to promote industrial activities. This includes the construction of feeder roads to link production centres, construction of market centres and storage facilities, and the extension of electricity to communities. Other strategies undertaken by local governments to attract investments include land use planning and physical development permitting; skills provision, training programmes and the provision of credit facilities.

The government of Ghana launched the Presidential Special Initiatives (PSI) in 2001 to play a key role in the revival of the private sector and in the development of the rural sector, particularly in agribusiness (Arthur, 2006). The initiatives sought to help diversify the economy, show where opportunities exist in both agriculture and industry, and help organize resources, management and technical support. These initiatives were launched in five (5) areas of activity. These included accelerated export development for garment and textiles, salt mining, cotton production, oil palm production, cassava starch production and distance learning. These initiatives were intended to spearhead the expansion and deepening of the economy; create jobs and reduce poverty (especially in the rural sector) through agribusiness and export in Ghana. Although these initiatives were good, these targets were missed due to lack of funds.

The transformation of the industrial sector was to be based on a vibrant and competitive light manufacturing sub-sector. This is however constrained, among others, by: limited supply of raw materials from local sources for local industries; inadequate and unreliable energy supply; weak linkages between agriculture and industry; obsolete and inefficient technology; and limited access to long-term finance. Government, in the medium-term, is expected to implement the Industrial Sector Support Programme (ISSP) through the development of a strong local raw material base for industrial development; link industrialisation to Ghana's natural endowments - agriculture, oil and gas, minerals and tourism; and create appropriate environment to encourage financial institutions to provide long-term financing for industries.

Local governments as decentralised institutions can play a key role in reducing income inequalities and promote

spatial distribution of industries which is much needed to develop the country (GOG, 2011b). Ghana is hugely challenged by growing inequality in household consumption, regional disparities in welfare and a deteriorating macroeconomic environment. By 2012, consumption per capita among the top decile of distribution was seven times greater than among the bottom percentile and the Gini index rose 8%, from 37.5 to 40.8. Poverty has become concentrated in rural areas and the North, with one out of three poor people living in rural areas (GSS, 2014).

3.8 Industrial Clusters

To achieve poverty reduction and reduce income inequalities in Ghana, there is a need to promote the distribution of industries away from urban areas. An examination of the regional distribution of firms in Ghana shows that in 2003 the Greater Accra region, followed by Ashanti, encompassed the majority of industrial establishments, with these two regions accounting for 50 per cent of the total. Together the Eastern, Central and Western Regions accounted for about 30 per cent of the total number of establishments (see Table 1). This implies an approximately 80 per cent concentration in the major cities/urban areas in five of the country's ten regions.

The heavy concentration of industrial establishments in only five regions is the result of industrial clustering especially with respect to the Ashanti and Greater Accra regions. By their very nature, clusters are populated by enterprises engaged in similar commercial activities. Clustering in Ghana mainly concerns the manufacturing sector, and manifests as the visible physical concentration of establishments/enterprises in relatively narrowly defined geographical areas within the major cities of Accra-Tema, Kumasi, and Takoradi. See Table 1 for details on some selected industrial clusters in Ghana.

Table 1. Selected industrial clusters in Ghana

Location	Group	Range of firm sizes	Industrial sector
Kumasi-Ashanti	Furniture cluster	Micro-small	Furniture
	Suame-Magazine	Micro-small	Metalwork and machinery
Tema-Greater Accra	Tema Industrial Area/free zones enclave	Small-medium-large	All sectors
	Sointex Industrial Area/ free zones enclave	Small-medium-large	All sectors
Accra-Greater Accra	North Industrial Area	Small-medium	Manufacturing
	South Industrial Area	Small-medium	Manufacturing and garages
Sekondi/takoradi-Western	Light Industrial Area	Small-medium-large	Manufacturing (mainly food processing and wood exporters)
	Light Industrial Area	Micro-small	Garages, metalwork, machinery
	Heavy Industrial EPZ	Small-medium-large	Mineral processing for exports
Shama-Western	Shama EPZ	Small-medium-large	Petroleum, petrochemical

Source: Ackah et al., 2014.

Ghana's industrial clusters were built either by the government or developed as the private sector firms so the potential in creating them. For instance, there have been spontaneous set up of machinery and furniture clusters in a number of cities in the southern part of the country. Ackah et al. (2014) describe the Suame-Magazine and the furniture cluster in Kumasi, as a typical example of the clustering of micro and small enterprises. In addition to the clusters, industrial zones have been set up by the Ghana Free Zones Board (GFZB) as export processing zones (EPZs). They include the EPZs at Tema, Sekondi and Shama as well as the Ashanti Technology Park. Business processing is facilitated by the convergence of all front-line export/investment promotion institutions into a 'one-stop-shop'. A range of property options, including factory shells, office space and land parcels serviced with good quality roads, drains, water and electricity connections and dependable sewerage system, is readily available to prospective investors and new business start-ups.

3.9 Transparent and Accountable Governance

Strengthening local governance within the concept of democratic principles implies getting the people involved in decision-making, especially grassroots participation to ensure a bottom-up approach to governance. This is necessary to nurture, uphold and entrench the principles of transparency and accountability in governance processes.

Policies and programmes in the area of governance in the GSGDA (I and II), focused on strengthening democracy and institutional reform. This involved local governance and decentralisation, economic growth and coordination in special development areas to reduce poverty and inequality. There was also public policy management and public sector reform, women's empowerment, corruption and economic crimes, rule of law and justice, public safety and security, national culture for development, migration for development, and

evidence-based decision making.

The extent to which governments take into account the views of the people before enacting, changing and implementing laws determines how the people embrace these laws. The results from the GLSS 6 data show that more than two-fifths of respondents think that the government never takes their views into account before changing laws (46.3%). In addition, 18.3 percent think that the government only occasionally took their views into account before laws were changed (Table 3). Only 5.4 percent of respondents indicated that their views were always taken into account before laws were changed.

The Ashanti region (55.2%) has the highest proportion of respondents who indicated that their views were never considered before laws were changed; this is followed by Greater Accra (51.7%), Upper West (50.5%) and Brong Ahafo (49.1%). One-tenth of respondents in the Volta region (10.7%) indicated that their views were always considered while 10.5 percent in the Western region think that their views were occasionally considered before laws were changed.

Table 2. Households' view of the extent to which government takes their view into account before changing laws by region, 2013

Frequency	Region									
	Western	Central	Greater Accra	Volta	Eastern	Ashanti	Brong Ahafo	Northern	Upper East	Upper West
Always	6.7	3.7	6.0	10.7	4.0	6.2	5.6	2.0	2.5	1.2
Most of the time	10.5	7.5	6.8	9.1	10.6	6.0	12.8	12.0	5.4	4.4
About half of the time	8.5	6.6	9.7	2.0	15.4	5.8	7.2	3.9	9.1	11.4
Occasionally	17.5	23.5	20.6	12.7	19.9	17.1	16.0	18.9	14.7	16.4
Never	35.3	43.9	51.7	45.3	34.9	55.2	49.1	37.5	47.9	50.9
Don't know	21.4	14.7	5.2	20.2	15.2	9.7	9.2	25.6	20.4	15.6
Total	100	100	100	100	100	100	100	100	100	100

Source: GSS, 2014.

4. Discussion

Since the inception of the current decentralisation and local government system in Ghana, several issues have arisen concerning their roles in local development and especially local economic development. Issues relating to capacity in all forms and political interference in the discharge of their duties, relationships with other bodies and institutions have been of concern. Some have argued that the creation of decentralised institutions have had minimum impact on poverty reduction (Ayee, 2012; Osei Kwadwo & Buadi Mensah, 2016).

Ghana's failure to move towards industrialisation has been primarily due to the absence of economies of scale and support for industries across the regions. Many initiatives have been implemented with little room for local governments to maneuver. The efforts to rope in districts in the industrialisation process have been far from successful. A key example is the Rural Enterprises Programme (REP), which was introduced as part of the efforts by the government to reduce poverty and improve living conditions in the rural areas. One of its key objectives being the scale up and mainstreaming of a district based small enterprise support system. Under this programme, International Fund for Agricultural Development (IFAD), African Development Bank Group (AfDB) and the Government of Ghana (GoG) were to provide US\$185 million for supporting 600,000 rural poor Medium Sized Enterprises (MSEs) in 161 districts and municipalities across the country between 2012 and 2020. The model will ensure the establishment of 36,000 new businesses and strengthen 70,000 existing businesses to scale up to profitability periods in their life cycles. REP is an upscale of the Rural Enterprises Project - Phases I&II (REP-II&I) which were implemented in 66 districts across the country from 1995 to 2011. Interim evaluations measuring the impact of project so far, show that some rural entrepreneurs have seen an improvement in their living conditions, and others have received training and therefore have been able to secure jobs.

Again, the small scale industrialisation initiative (SSDII) of the Ministry of Trade – a 5-year rural based industrialisation programme which is to benefit all 216 administrative districts of Ghana is one worth mentioning. Under this, the Ministry of Trade and Industry and its implementing collaborators are to apply the Public Private Partnership (PPP) framework and the Corporate Village Enterprise (COVE) model in establishing commercially viable companies in all the Metropolitan, Municipal and District Assemblies (MMDAs). Ministry of Trade and Industry (MOTI) proposed in 2014 that the 216 MMDAs will be covered in the following structure: 30 in Phase 1 (2014), 48 in Phase 2 (2015), and 46 each in Phases 3 (2016), 4 (2017) and 5 (2018) respectively. The funding for the setting up of the SSDII-PPP Companies will come from equities by the respective MMDAS and private

investors at the districts. It is envisaged under the SSDII, that over 258,000 Ghanaians, especially those in the districts/rural areas will benefit from both direct and indirect employment, over GHc471 million (US\$174 million) worth of exportable and locally marketed value added goods or products will be produced and sold, a total of GHc278 million or US\$ 103 million, will be required from Government.

Since the implementation of these initiatives, very little industrialisation has taken place especially in rural areas. The expected value chains linking the Agriculture and Industrial sectors, job creation in industries at the local level, value received from non-traditional exports are indicators that show minimal change. A great chance to revive Ghanaian industry using our decentralised institutions has been lost because of the misdirection of priorities. The main reasons given for this failure has been the lack of sufficient authority and resources to deal with local development issues. Given the fact that many sectoral decisions follow a top-down approach rather than the bottom-up approach which was intended to address local developmental needs and goals.

Perspectives towards making Decentralisation work for the Industrial sector

The analysis indicates that the introduction of decentralisation and the establishment of local governments in Ghana to promote local economies has seen mixed results. Some districts especially in the industrial enclaves have benefitted from higher level of infrastructure provision than other less endowed areas. What is clear, is the existence of challenges such as a weak institutional set-up for local governments to develop their areas, inadequate capacity and funding, limited scope of interventions, less integration and harmonisation of projects within and across districts, and the absence of a local level industrial policy framework to guide development at the local level. These drawbacks need to be addressed to achieve a high positive effect of decentralisation on industrialisation.

The following measures are therefore recommended:

Improving Institutional Structure

There is the need to strengthen the coordination of the Development Planning System for within the decentralised institutions to ensure the equitable and a more balanced spatial and socio-economic development. Poor commitment to development planning in Ghana has resulted in the failure to integrate spatial development in many parts of the country. There is the need to clarify the roles of local governments and strengthen their capacity for effective planning and allocation of resources. Local governments should be able to identify potential projects that will improve their areas.

Formulating a National and Local Level Policy Framework to Guide the Development of industries

The absence of an integrated national institutional and policy framework for enhancing the involvement of local governments in local economic development has an adverse effect on effective the country's industrial drive. A national framework to guide local governments in industrial development will ensure that all the necessary institutional arrangements at the national and local levels are available to guide the process.

Improve Funding of Decentralised institutions

The central government should facilitate its fiscal decentralisation process to give local governments full control over grants received and give them financial autonomy in the use of their financial resources. When local government institutions are well resourced and given clear guidelines, they will be well equipped to harmonise district, regional and sectoral development objectives. The current practice which ties the DACF to projects from the central government draws the needed resources away from local priorities.

Mainstreaming Employment into District Economic Development Plans

Strategies should be identified to ensure the creation of employment opportunities at the local level. Rural industries create large-scale employment opportunities for rural people which also fosters economic development. Furthermore, rural urban migration can be curbed as more jobs are created and people's livelihoods improve.

Expanding the involvement of local governments in industry

The proposed long-term development policy would have the following sub-themes, projects and programs as areas of investment prioritization:

1). Accelerated Agro-Based Industrial Development

The envisioned agro-based industrial processing of major exports will be achieved if industries can be assured of reliable energy and water supply and efficient transport system. Industries should be incentivized to use locally manufactured agro processing machinery and equipment. Critical in this area will be the creation and expansion

of routes that link agriculturally productive areas of the hinterlands to urban and peri-urban markets, which would then open up such areas for more aggressive agro-based activity.

2). Utilise Local Resources

Rural industries help in the proper utilisation of local resources like raw materials and labour for productive purposes and thus increases productivity. Decentralised development should be promoted in light on the fact that rural development not only spurs economic growth but creates jobs.

3). Harmonise district level industrial-led projects

While previous attempts at rural economic revitalization have focused mainly on the provision of physical infrastructural facilities, local governments must generate sustainable and accelerated economic development for rural communities. To ensure even and spatial spread of industries and thereby stimulate economic activity in different parts of the country. There is also a question of harmonisation of district economic activities where the districts which are too small and weak to serve as viable units of industrialisation are merged with bigger units. Joint implementation of local economic development initiatives among local governments sharing common boundaries may be the way forward.

4). De-politicise local government initiatives

Local decision makers try to promote economic development to raise their legitimacy with the local electorate, and possibly to improve the income stream for local government. The politicisation of discussions and decisions at the local government also influences decisions on the kind of local economic activity to be done.

5. Conclusion

The paper has discussed local economic development and local government in the context of Ghana. It has discussed the decentralisation programme in Ghana, the emergence of local governments and their involvement in local economic development in the country. It is important for one to note that decentralisation is an effective process to promote participatory development and that the relationship between decentralisation and local economic development cannot be over emphasised. Local economic development as a general strategy to promote industrial development at the local level can be enhanced through an effective decentralisation process.

Therefore, there is the need for an industrial policy that embraces structural transformation of Ghana's economy and which involves decentralised organisations. A new development paradigm that gives investment priorities to rural development; aggressive pursuit of agro and industrial technology acquisition and application; modernisation and mechanisation of agricultural production; supported by institutions, is certainly the way forward.

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Note

Note 1. The Growth and Poverty Reduction Strategy (GPRS I), was issued in 2003, to reflect a policy framework that was directed primarily towards the attainment of the anti-poverty objectives of the UN's Millennium Development Goals (MDGs). The GPRS II, introduced a shift of strategic focus, to accelerate the growth of the economy so that Ghana could achieve middle-income status within a measurable planning period. The emphasis of GPRS II was on the implementation of growth-inducing policies and programmes which have the potential to support wealth creation and sustainable poverty reduction.

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