

GHANA

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOWER MIDDLE INCOME

LOCAL CURRENCY: GHANAIAN CEDI (GHS)

POPULATION AND GEOGRAPHY

Area: 238 540 km²
Population: 28.8 million inhabitants (2017), an increase of 2.4% per year (2010 – 2015)
Density: 121 inhabitants / km²
Urban population: 55.4 % of national population (2017)
Urban population growth: 3.4% (2017)
Capital city: Accra (8.4% of national population)

ECONOMIC DATA

GDP: 133.8 billion (current PPP international dollars), i.e. 4 641 dollars per inhabitant (2017)
Real GDP growth: 8.1% (2017 vs 2016)
Unemployment rate: 2.4% (2013)
Foreign direct investment, net inflows (FDI): 3.3 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 20.6% of GDP (2017)
HDI: 0.592 (medium), rank 140 (2017)
Poverty rate: 13.3% (2016)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Ghana is a unitary country organized as a constitutional republic with a unicameral parliament. The President is the head of State and government, elected directly for a maximum of two four-year terms, as is the case also for the members of Parliament. The cabinet, known as the Council of Ministers, is nominated by the President and approved by Parliament. There exist two advisory bodies to the President: the House of Chiefs, whose membership is hereditary, and the Council of State, comprised of 25 prominent citizens, indirectly elected representatives of the regions and members appointed by the President.

The Government of Ghana has for several years pursued a decentralisation reform as part of wider efforts to enhance good governance. Two moments may be distinguished in the country's decentralization process. Firstly, since 1859 until 1988, ordinances and acts were passed that made the distinction between the central and local levels explicit, yet that did not entail an effective devolution of powers nor resources. Secondly, the creation of District Assemblies in 1988 with the Provisional National Defence Council marks the beginning of major administrative reform in the country. The objectives of the decentralisation reform are enshrined in the 1992 Constitution of Ghana. In particular, article 35 (6) (d) provides that the "State shall take appropriate measures to make democracy a reality by decentralising 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".

The 1993 Local Government Act contains the provisions for the articulation of the decentralization process. It outlines the proceedings regarding the establishment of local governments, their functions and finance. The legal framework for decentralization was then complemented by the 1994 National Development Planning System Act and a revision of the Civil Service Act. Since 2010, Ghana has elaborated quadrennial National Decentralisation Action Plans (2010-2014 and 2015-2019), with the objectives of clarifying the roles of traditional authorities and civil society groups in local governance and the development of a comprehensive, well-sequenced approach to decentralization. The latter emphasizes the harmonisation of development funding and local governments' capacity building. The contents of the documents have been factored into the 2016 amendment of the Local Government Act, which currently represents the framework within which decentralization takes place in the country. Ministerial oversight of local governments is carried out by the Ministry of Local Government and Rural Development.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	Metropolitan, Municipal and District Assemblies			
	Average municipal size: 113 519 inhabitants			
	254			254

OVERALL DESCRIPTION. Local government in Ghana comprises Metropolitan, Municipal and District Assemblies (MMDAs). In 2017, there were 6 Metropolitan Assemblies (Accra, Tema, Kumasi, Tamale, Sekondi-Takoradi, and Cape Coast), 56 Municipal Assemblies and 154 District Assemblies in Ghana. In March 2018, the new government created 38 new districts and municipal assemblies to be added to the already existing 216 local government units, raising the number of MMDAs to 254. The country is divided into 16 regions for administrative purposes.

MUNICIPALITIES AND INTER-MUNICIPAL COOPERATION. According to the legal definition, a metropolitan assembly is a local government unit or area with a minimum population of 250,000 people; a municipal assembly is a single compact settlement with a minimum population of 95,000 people and a district assembly is a local government unit or area with a minimum population of 75 000 people.

According to the MMDAs' classification, there exist sub-municipal local government units. Metropolitan assemblies are subdivided into sub-metropolitan district councils, town/area councils and unit committees; municipal assemblies are integrated by departments that implement the decisions of the MMDAs' assemblies; and district assemblies are subdivided into urban/town/area councils and unit committees. Town or area councils and unit committees do not have legislative powers but play an important role enhancing citizen participation since they are the level of local government that is the closest to the citizens. They play an important role in the organization of communal labour, revenue raising, environmental protection and in registering births and deaths. Assemblies are pivotal in the decentralization process. They are non-partisan councils of which 70% of the members are directly elected while 30% are

presidential appointees. Elections take place every four years. Last local elections took place in 2015 and the next elections are programmed for 2019. Since 1962, the National Association of Local Authorities of Ghana (NALAG) is the association promoting nationwide decentralized cooperation.

REGIONS. According to the Constitution, the President may create new regions, alter the boundaries between them or merge two or more regions. Following a national referendum on December 2018, six new regions were created, increasing the total number of regions in the country from 10 to 16. At the regional level, the Regional Coordinating Council (RCC) represents the highest political and administrative body. The RCCs are headed by a regional minister appointed by the President. Their main functions are to coordinate, monitor, harmonise and evaluate plans, programmes, activities and performance of the MMDAs, as well as to carry out any other function assigned to them by legal enactment.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Local governments' responsibilities were firstly outlined in the 1993 Local Government Act and revised with the 2016 Local Government Act. Assemblies are responsible for the overall development of the district, for which they have deliberative, legislative and executive authority. The 2016 Act details the specific responsibilities to be undertaken by the Assemblies, which include administrative, development planning, service delivery and budgeting functions. Assemblies are also responsible for the coordination and harmonization of the development projects carried out by Ministries, other public bodies and non-governmental organizations in the district. As a result, functions often overlap and coordination problems arise.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

MUNICIPAL LEVEL	
1. General public services	Civil status register; Statistical Office
2. Public order and safety	Municipal police; Fire protection; Civil protection
3. Economic affairs/transport	Local roads; Public transport; Trade and industry; Tourism
4. Environmental protection	Environmental management and improvement; Sanitation
5. Housing and community amenities	Development of infrastructure; Development, management and improvement of human settlements; Town and regional planning; Water provision; Refuse collection; Cemeteries; Crematories; Slaughterhouses
6. Health	Primary care; Hospitals; Health protection
7. Recreation, culture & religion	Preservation and promotion of cultural heritage; Museums, parks, theatres, open spaces; Sports and leisure
8. Education	Pre-school, primary secondary and higher education; Education sponsorship
9. Social protection	Family welfare services; Welfare homes; Social Security

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: metropolitan assemblies, municipal assemblies, and district assemblies.	SNA 1993	Availability of fiscal data: Low	Quality/reliability of fiscal data : Low
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GENERAL INTRODUCTION. The National Decentralization Action Plan establishes the policy measures to ensure that the principle of “funds follow functions” is followed, which include the empowerment of the newly created MMDAs and the enhancement of the Assemblies' revenue mobilization capacity. The 2016 Local Government Act effectively regulates MMDAs' expenses and revenues, including the allocation of the resources from the District Assemblies Common Fund and the sources of locally generated revenue. A number of policies and interventions have been introduced by the Controller and Accountant General's Department to strengthen and enhance service delivery in the financial sector of the central and sub-national government levels. These include the 2016 Public Financial Management (PFM) Act 921 and the Ghana Integrated Finance Management and Information System (GIFMIS). To improve the understanding of the financial management framework of Ghana, the PFM Act 921 aims to ensure discipline, effective and efficient use of public funds as well as safety, custody and integrity of public funds in line with the new global trends in accounting.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION



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EXPENDITURE. Only partial information is available. In FY 2017, the total expenditure (by economic classification) of 143 MMDAs (including most of the 62 metropolitan and municipal assemblies) was 2 106 886 dollars PPP, of which 16% (337 101 dollars PPP) was for compensation of employees, 60% (1 264 132 dollars PPP) was for intermediate consumption and 10% (210 688 dollars PPP) was devoted to covering current social expenditure. The total expenditure of the 143 local governments accounted for 0.13% of GDP and 0.7% of the general government expenditure. In addition, total compensation of employees of 211 local governments was 26 798 442 dollars PPP and intermediate consumption of 212 local governments was 95 085 352 dollars PPP.

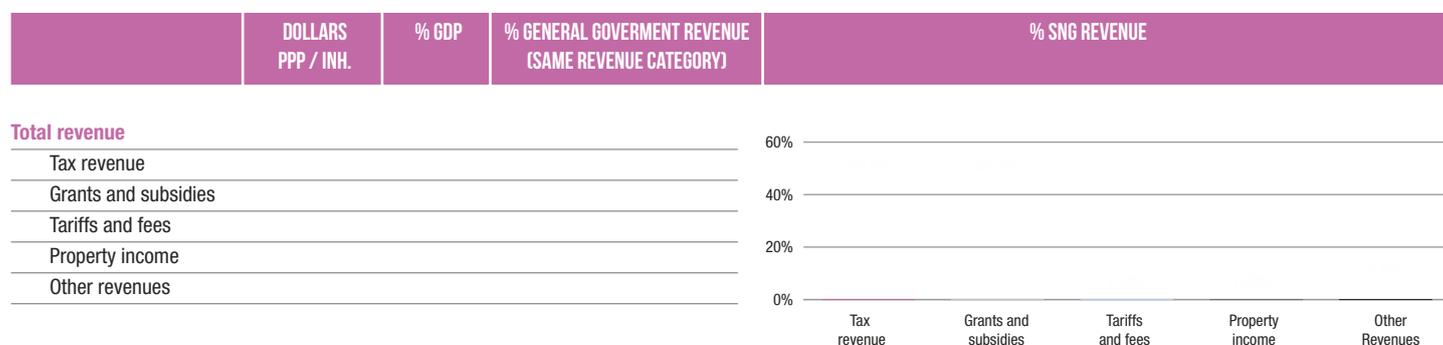
DIRECT INVESTMENT. There is no information available that is disaggregated on investment, but the main items of expenditure can be identified as being education, economic and transport affairs, sanitation, followed by housing and health.

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

Partial information on expenditure for 162 MMDAs is available. According to the available information, in FY 2017, the largest line of expenditure was management and administration costs (108 605 311 dollars PPP), followed by expenditure on education (93 972 947 dollars PPP). MMDAs also incurred expenditures related to environment and sanitation (37 399 360 dollars PPP), housing and community amenities (32 040 460 dollars PPP), health (27 993 dollars PPP) and local roads (24 623 643 dollars PPP). The smallest amount was devoted to social welfare expenditure (4 443 091 dollars PPP).



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY



OVERALL DESCRIPTION. The revenues of Assemblies comprise (a) decentralised transfers; (b) internally generated funds (IGF); and (c) donations and grants. Decentralised transfers comprise funds from the following revenue sources: (a) the District Assemblies Common Fund; (b) grants-in-aid from the central government; and (c) any other revenue transferred from the central Government to the Assembly.

The 1992 Constitution confers MMDAs the legal authority to set taxes, although in reality the local tax base does not allow sufficient taxes to be collected to enable MMDAs to carry out their assigned responsibilities. MMDAs also have the authority to raise non-tax revenues such as licenses and fees, although the total raised remains limited. In general, MMDAs heavily depend on central government transfers from the District Assembly Common Fund.

The horizontal allocation of resources between SNG entities is transparent and rule-based only for approximately 38% of the transfers. Information on central government allocations to MMDAs becomes available with significant delays after the start of the fiscal year and for some transfers not at all. Even when information on available resources is provided to the MMDAs for the three main funding sources (i.e. District Assemblies Common Fund (DACF), District Development Facility (DDF) and Minerals Fund), the actual transfers may be substantially delayed. This gives rise to the accumulation of arrears and often undermines the implementation of their budget.

Information is available on the revenue of 155 local governments. In FY 2017, the total revenue of these 155 MMDAs was 2 117 218 807 dollars PPP, of which total grants made up 94%. Property income and sales of goods accounted for the majority of their total IGF, 48% (57 470 276 dollars PPP) and 45% (54 248 043.9 dollars PPP) respectively. Revenue from fines and penalties was 6 676 623 dollars PPP, constituting 6% of total IGF; other miscellaneous revenue was 1 941 180 dollars PPP, accounting for 1% of total IGF.

TAX REVENUE. MMDAs have the authority to collect taxes and modify their rates. However, the ratio of IGF to total income is low for the majority of Assemblies. Tax collection levels are low and lack of accountability undermines MMDAs' tax collection capacities. For the 155 MMDAs with available fiscal data, tax on property and sales of goods represented 93% of total IGF, but only 5% of their total revenue in FY 2017. Property tax was 57 470 277 dollars PPP and sales tax was 54 248 044 dollars PPP. Greater Accra was the biggest contributing region, accounting for approximately 35% of the total of both taxes.

GRANTS AND SUBSIDIES. The District Assemblies Common Fund (DACF), embodied in the 1992 constitution of Ghana and implemented for the first time in 1994 is, together with donor support, the largest source of income for the Assemblies. Other funds released to MMDAs from Central Government are wages and salaries of the local government staff at the Assembly. Much of the funding received via central government transfers, including DACF, is earmarked in some way and, as a result, MMDAs have little flexibility in the use of this funding.

Since 2006, the District Development Facility (DDF) is another source of funding for MMDAs. The DDF is a pooled funding from both development partners and the Government of Ghana. The DDF includes performance-based criteria to serve as an incentive to enhance financial management practices in the Districts; yet, designed in such a way that no MMDAs is punished for actions beyond their control. The District Assemblies who meet the criteria receive additional resources. Assessment is conducted based on the Functional and Organisational Assessment Tool (FOAT). The DDF also provides a more systematic approach to capacity building as capacity building is targeted at those Districts that are not performing adequately based on the FOAT assessment. Nevertheless, the DDF is targeted toward development and capacity building and does not impact recurrent expenditures.

For the 155 local governments with available fiscal data, total grants in FY 2017 were 1 996 882 682 dollars PPP (of which 80% went to the Greater Accra Region), representing 94% of their total revenue. Donor support accounted for 83% of total grants to these 155 governments, while DACF constituted 14% and DDF 3%.

OTHER REVENUES. No data available

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
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Total outstanding debt

Financial debt*

* Currency and deposits, loans and bonds

FISCAL RULES. The 2016 PFM outlines that fiscal objectives include the maintenance of fiscal balance at a sustainable level over the medium term, in order to ensure macroeconomic stability within the fiscal framework. Ghana is still in the early stages of this policy initiative and it is expected that the Minister of Finance will introduce some further regulations regarding local government authorities' capacity and limits with respect to borrowing, as well as provide some further guidelines on how to advance the process of enhancing fiscal balance.

DEBT. The PFM Act seeks to control borrowing by local government authorities by introducing provisions regarding debt management. In accordance with the PFM, local governments may borrow from within the country and up to the limit determined by the Minister of Finance, in consultation with the Minister for Local Government and in a manner consistent with the medium-term fiscal balance strategy (Art. 74). The Minister of Finance may issue a guarantee on behalf of the government to back up debt undertaken by MMDAs, provided that the Minister considers the beneficiary of the guarantee to have the capacity to fulfil its contracted obligations (Art. 73). If a local government wishes to borrow an amount above the limit set by the Minister or to issue debt securities to the public, it must first obtain written approval from the Minister of Finance. Upon the issuance of a debt security or the contraction of an overdraft, the local government must submit a record of the transaction to the Minister of Finance within 10 working days.



Lead responsible: UNCDF

Last update: 02/ 2019

www.sng-wofi.org

Socio-economic indicators: World Bank // UNDP // UN Desa // ILO.

Fiscal data: OECD/UCLG (2016) Subnational Governments Around the World Structure and Finance: A First Contribution to the Global Observatory on Local Finances // Ministry of Finance (2017) Composite Budget // Ministry of Finance, National Budgets.

Other sources of information: Cities Alliance and UCLGA (2018) Assessing the institutional environment of local governments in Africa // Friedrich Ebert Stiftung, Local Government Institute (2016) Guide to District Assemblies in Ghana, second edition // PEFA (2013) Performance Review Final Report // Alam, Koranteg et al. (2011) Decentralisation in Ghana // Inspectorate Division of the Ministry of Local Government and Rural Development // Ghana Public Expenditure Review: Fiscal Consolidation to Accelerate Growth and Support Inclusive Development // Ministry of Local Government and Rural Development – official website.