

GHANA

UNITARY COUNTRY

AFRICA

BASIC SOCIO-ECONOMIC INDICATORS

Income group - **LOWER MIDDLE INCOME** Local currency - **Cédi Ghanéen (GHS)**

POPULATION AND GEOGRAPHY

AREA: **238 537** km²

POPULATION: **26.786** million inhabitants (2014),
an increase of 2.4% per year (2010-14)

DENSITY: **113** inhabitants/km²

URBAN POPULATION: **54%** of national population

CAPITAL CITY: **Accra** (8.4% of national population)

Sources: World Bank World Development Indicators, UN World Urbanisation Prospects, ILO

ECONOMIC DATA

GDP: **109.3** billion (current PPP international dollars)
i.e. 4 080 dollars per inhabitant (2014)

REAL GDP GROWTH: **4.0%** (2014 vs 2013)

UNEMPLOYMENT RATE: **5.9%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **3 363** (BoP, current
USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **27.1%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.579** (medium), **rank 140**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT RESPONSIBILITIES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
216 6 METROPOLITAN, 55 MUNICIPAL AND 155 DISTRICT ASSEMBLIES AVERAGE MUNICIPAL SIZE: 124 009 INHABITANTS	-	10 REGIONAL COORDINATING COUNCILS	226

MAIN FEATURES OF TERRITORIAL ORGANISATION. Ghana is a unitary country with a three-tier system of local governments. Ghana has embarked in a comprehensive decentralisation programme since 1988 with the introduction of the Local Government Law (PNDC law 207). The subnational government system consists of 10 Regional Coordinating Council, a four-tier Metropolitan and three-tier Municipal/District Assemblies structure. A Metropolitan/Municipal/District Assembly (MMDA) is created to serve as a pivot of administrative and developmental decision-making in the district and basic unit of government administration. The MMDA is constituted as the planning authority for the District. The Sub-Metropolitan Districts, Urban/Town/Zonal/Area Councils and the Unit Committees make up the substructures under the MMDA. A draft Consolidated Local Government Bill which seeks to harmonize conflicting laws and consolidate 5 major legislations on decentralisation into one Act, was developed to deepen local governance and decentralization. Indicators of the Functional and Organisational Assessment Tool (FOAT) VII were reviewed and subsequently a nationwide performance assessment of all the 216 MMDAs was conducted in 2015. In addition, Human Resource Units will be established in 66 District Assemblies, whilst monitoring and evaluation missions will be conducted in MMDAs and RCCs using the Results Based Management System.

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. Decentralization Acts and Laws contributed to decentralise 22 functional areas of government to local government authorities. The Assemblies perform their functions through the Executive Committee, which include Social Services, Works, Finance and Administration, Development Planning, among others. The Ministry of Local Government and Rural Development has the role to promote the good development of the decentralised system of local government. Yet, inconsistencies in legislation have led to overlapping of central and local responsibilities.

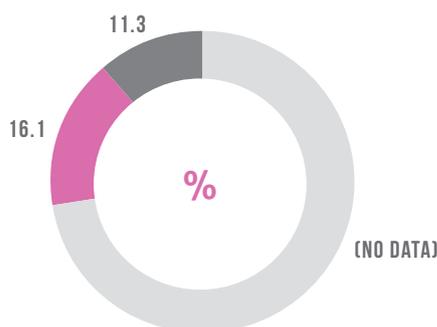
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	7.7%	26.0%	100%
CURRENT EXPENDITURE	5.1%	-	67.2%
STAFF EXPENDITURE	-	-	-
INVESTMENT	2.5%	49.0%	32.9%

Moreover, local government authorities often do not have the capacity to act autonomously. Funds are often allocated to the departments instead of the district assemblies. The Regional Coordinating Councils and the Public Investment Division of the Ministry of Finance are assigned the responsibility of coordinating public investment activities across different levels of government in their respective regions (Sections 140-146 of ACT 462).

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



According to the law, district assemblies are the exclusive bodies in charge of water and sanitation services at the local level. Service delivery for health and education is decentralized to a department of the district assemblies.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	0.7%	3.3%	100%
TAX REVENUE	-	-	-
GRANTS AND SUBSIDIES	9.2%	-	92.3%
OTHER REVENUES	-	-	-

The key challenge for local governments in Ghana is their limited capacity to generate sufficient local revenues. The 2007/2008 financial crisis did not have much effect on local government sub-national finance in Ghana. They continued to rely on intergovernmental fiscal transfers and their own internally generated funds (IGF).

TAX REVENUE. Any creation of new local taxes to be collected is subject to the approval of the Minister of Finance. Rates-property taxes make up 18,3% of tax revenues, building permits make up 14,8%. MMDAs are free to set tax rates.

GRANTS AND SUBSIDIES. Transfers are often late, with low predictability. Transfers are made up primarily from the earmarked District Assembly Common Fund (DACF) to all local assemblies. This formula-based transfer is based on population, need, poverty and social services pressure, and it must exceed 7.5% of total government revenue. Two types of untied grants can also be attributed to MMDAs, based on performance FOAT criteria.

OTHER REVENUES. MMDAs primarily rely on Fees & Fines (Market tickets, Court Fines, etc.) as part of subnational government revenues.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

The MMDAs may borrow on the basis of loans or overdrafts from public institutions, for amounts up to 2 000 Cedi without approval, provided that these do not require central government guarantees. For amounts above 2 000 Cedi, the Local Government Act (1993) restricts the MMDAs access to domestic borrowing and require approval from the Minister of Local Government and Rural Development (MLGRD), given in consultation with the Minister of Finance. There is a lack of legislation on accumulating larger overall debt provided that the individual loan amounts do not exceed 20 Million Cedi. The issuance of a central government guarantee requires the authorisation of the Minister of Finance. A Municipal Finance Bill which will enable MMDAs to borrow directly from the financial market is yet to be approved by the Parliament of Ghana.

A joint-study of:



Sources: Budget Statement and Economic Policy of the Government of Ghana for 2015 financial year • Ministry of Finance, 2015 Composite budgets of MMDAs • Ministry of Local Government and Rural Development Website • N. Devas, Financing Local Government, Commonwealth Secretariat, Local Government Reform Series (2008) • S. Ankamah, The Politics of Fiscal Decentralization in Ghana: An Overview of the Fundamentals (2012)