

Working Paper

The finance landscape in Ghana: Mobilising investment in sustainable urban infrastructure

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Executive summary

Ghana has made significant progress in realising its development goals over the past two decades. The result has been the creation of one of the strongest economies in sub-Saharan Africa and falling poverty rates. The impact of these achievements has, however, been uneven, with periods of variable economic performance, rising debt levels and growing urban informality. The difficulty faced by Ghana, similar to other developing countries, is how to stimulate and maintain periods of steady growth while at the same time strengthening the underpinning physical and institutional infrastructure essential for sustainable and inclusive economic development.

A vital challenge for Ghana is establishing a finance system that can generate sufficient revenue to fund improvements to water, sanitation, energy, road and telecommunications infrastructure. These investments are essential to drive economic and human development, reduce climate risk, and create livable and environmentally sustainable cities. Pressure for investment in infrastructure is heightened in cities and large towns, where population growth has outstripped the capacity of public finance to meet the demand for services. Ghana has a political and policy commitment to decentralisation, but has not fully exploited the potential of city and national governments working as partners in delivering national development goals.



Photo credit: Visty Banaji

About this working paper

This working paper was prepared by Wayne Shand and the International Institute for Environment and Development. It was developed in partnership with the Coalition for Urban Transitions, which is a major international initiative to support decision makers to meet the objective of unlocking the power of cities for enhanced national economic, social, and environmental performance, including reducing the risk of climate change. The research presented here was conducted in support of the Coalition's Economics workstream, and builds on previous University of Leeds and Coalition research on the economic and social benefits of low-carbon cities. The opinions expressed and arguments employed are those of the authors.

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Ghana has strong medium-term prospects for growth that open up several options to more effectively mobilise public and private investments for sustainable urban infrastructure. Capturing these opportunities relies on strengthening the fiscal architecture and building municipal capacity to deliver productive urban investment that contributes to improved environments and inclusive growth. More creative approaches to using national economic assets, supported by taking action to secure contributions from rising land and property values in cities, are essential to creating the financial base needed to fund infrastructure improvements.

Improving Ghana's fiscal architecture will rely on the actions taken in three linked areas of public policy:

- **Political economy:** the distribution of power, the operation of administrative systems that govern decision-making, and the transfer of resources between the central and local governments. Ghana has a strong policy commitment to decentralisation, but in practice, local governments have limited autonomy and are heavily dependent on the central government for both finance and permission to act, across a wide range of local issues. There is considerable scope to use existing frameworks to increase local accountability and encourage municipal and metropolitan authorities to generate income and invest in sustainable infrastructure.
- **Fiscal depth:** increasing tax revenue at the national and local level. To achieve national revenue targets, Ghana needs to accelerate reforms and close gaps in the collection of income tax and value-added tax (VAT), and to incentivise districts to significantly improve local revenue generation - particularly concerning land and property. Increasing the number of people included in the tax system, closing loopholes, rationalising exemptions, and investing in data and financial management software will make the tax system more robust and help reduce the mismatch between income and planned capital expenditure.
- **Public organisational capacity:** the ability of local government to generate income and efficiently use the resources available to them to deliver infrastructure improvements. Ghana's local governments face critical gaps in the human and technical capacity needed to generate income. Limited information on who should be paying taxes, ineffective financial management systems, loss of income and low use of online and mobile payments lead to significant leakage of potential revenue. Ghanaian local government also suffers from weaknesses in project and programme management capacity, and the ability of municipal authorities to effectively use funds and complete capital projects.

Ghana has historically relied heavily on debt and aid to finance infrastructure and national programmes of economic development. However, as part of its commitment to *Ghana Beyond Aid*,¹ Ghana will increasingly need to harness domestic resources and leverage assets to generate sufficient revenue to maintain a long-term pattern of growth. Banking reforms and strengthening the capital market provide a foundation for increased domestic investment. Continued dependence on international finance and the issuance of sovereign bonds poses significant risks to macroeconomic stability. More could be done to bring together existing finance vehicles and sources of capital, such as the District Assemblies Common Fund (DACF) and the Ghana Infrastructure Investment Fund (GIIF), to create a national resource to support strategic investment and underwrite delivery at the municipal level. Creative use of finance by national and municipal governments, with increased input from domestic investors, is vital to drive sustainable urban development.

Ghana has not captured the full benefits of two decades of economic growth to invest in improved infrastructure and urban environments. Because of complex patterns of land and property ownership, insufficient capacity and use of computer technology, and incomplete cadastral and finance records, local authorities have been unable to benefit from rising land values in cities. Land and property should provide a vital source of income, particularly in larger urban areas, to invest in improved infrastructure. There is a need to simplify property taxation, focusing on occupation rather than ownership, to link local taxation to the delivery of local services. Ghana needs to fully use its existing powers at the local level to implement infrastructure charges – such as development fees and betterment levies – through the planning system. Improved local decision-making and accountability, including the production of city-level strategic infrastructure plans, would provide an opportunity to demonstrate how local revenues are being used to create sustainable and livable cities.

1. Introduction

Across the world, growth in urban populations is forcing national and local governments to think creatively about how they finance investment in infrastructure. Urbanisation can help countries achieve economic and human development goals, but this depends on providing basic infrastructure and services – including water, sanitation, transport, telecommunications and energy – that meet the needs of larger and more densely populated cities and towns. Essential for delivering infrastructure and services are high functioning and equitable tax systems able to raise revenue for capital investment, but also anchor access to credit, allowing different tiers of government to raise and steer private finance at scale.

The demand for sustainable infrastructure investment is vast. Estimates indicate that some US\$90 trillion in investment will be needed globally by 2030, with around US\$4 trillion a year needed in low- and lower-middle-income countries.² A large part of this investment will be in cities, where a growing share of people and economic activity are concentrated. This level of investment is vital to enable productive economic growth and drive the inclusive development that delivers the Sustainable Development Goals (SDGs). At the same time, infrastructure investments must address climate change, by reducing greenhouse gas emissions and weather-related risks. Improved infrastructure in cities provides an opportunity to reduce spatial and economic inequality and to extend access to services that contribute to urban resilience and improved quality of life for residents of low-income and informal settlements.³

The scale and complexity of urbanisation demands joined-up responses to infrastructure planning and delivery. The transformation of urban environments requires commitment and coordination by the national and municipal governments, working with the private sector and communities. Partnership across tiers of government is essential if approaches to national and local tax-setting and collection are to be fiscally stable. A partnership approach should provide a foundation for generating revenue and creating positive incentives for sustainable urban development that mitigates climate change effects.⁴

In many countries across the global South, meeting the demand for sustainable urban infrastructure encounters a myriad of difficulties, including high costs of investment and weaknesses in institutional and governance frameworks to manage budgets and attract private sector support. This working paper examines these challenges and considers the most promising opportunities to unlock sustainable infrastructure investment, through a case study of Ghana.

Ghana was selected as a case study on financing sustainable urban infrastructure because it has achieved economic growth and poverty reduction over the last two decades, yet faces ongoing challenges in reforming fiscal and institutional arrangements to generate the finance needed for major infrastructure investment. Ghana has built one of the strongest economies in sub-Saharan Africa, boosted by exports of gold, cocoa and commercial oil production. Economic growth has been accompanied by falling poverty rates, but also by growing levels of inequality and informality across urban areas.⁵ Rapid urbanisation has exacerbated deficits in urban infrastructure, with environmental consequences that include rising pollution and congestion in cities and a lack of basic amenities, which have constrained both human and economic development.

National policy is sharply focused on addressing these urban challenges to realise Ghana's full economic potential and impact on national development. The primary tasks are building the physical and enabling infrastructure needed to support enterprise and investment and creating an effective and equitable tax system able to provide needed resources. Of equal importance is aligning political and institutional structures to create the spaces for innovation in how public, private and community sectors can work together. Transformative development in Ghana will require greater devolved capacity, local accountability and more effective working across tiers of government. Mobilising investment relies on leveraging existing assets in Ghana's people, businesses, and land to deliver sustainable and inclusive national development.

This working paper provides an in-depth study of the financial landscape in Ghana, including the challenges and opportunities to mobilising resources to invest in sustainable urban infrastructure. It is organised as follows:

- Section 2 shows how changing macroeconomic conditions and institutional arrangements have shaped the scope for investment in infrastructure.
- Section 3 addresses strengthening fiscal architecture.
- Section 4 examines the potential of public and private investment for urban infrastructure.
- Section 5 summarises the paper's key policy messages and recommendations.

2. About Ghana

Ghana has built one of the strongest economies in sub-Saharan Africa. Alongside Nigeria, it is a commercial and industrial centre of West Africa.

Ghana attained lower-middle-income country status in 2011. It has also seen long-term reductions in poverty. It achieved the Millennium Development Goal (MDG) target of reducing the national poverty rate by half, from 52.7% in 1991 to 24.2% in 2012. This trend has continued, albeit at a much slower rate, with the poverty rate falling to 23.4% in 2017.⁶

Climate change is threatening both recent development gains and future prosperity. West Africa has experienced significant climate variability and with global warming, Ghana is projected to see higher average temperatures, lower and less reliable rainfall, higher sea levels, and more extreme weather, leading to drought, flooding and landslides.⁷ To reduce and manage these risks, Ghana must place sustainability and resilience at the heart of its economic and urban development strategies.

2.1 DEMOGRAPHICS, URBANISATION AND ACCESS TO SERVICES

Ghana has the second-largest population in West Africa, with 28.8 million people in 2017.⁸ About half of its citizens are under the age of 20.⁹ As a result of falling poverty and improvements in healthcare, life expectancy rose from 54.6 years in 1986 to 62.7 years in 2016.¹⁰ Ghana's cities, in particular, have a potential demographic dividend ahead, as falling fertility and mortality rates lead to a large working-age population relative to the number of dependents. This demographic dividend offers an opportunity to accelerate development, but only if the potential workforce has access to economic opportunities.

Ghana has seen large-scale urbanisation over the past 50 years, with the annual urban population growth rate averaging more than 4% in 1970–2010 (table 2.1). The rate slowed over the last decade, but it was still significant, at 3.4% in 2017.¹¹ All regions of the country have experienced steady urbanisation, with secondary cities growing particularly rapidly. In 2000, just nine towns had populations of 50,000–100,000 people; by 2010, the figure had grown to 36.¹² Fragmentation of the administrative areas of local government makes tracking urban population levels in Ghana difficult. In Accra, for example, the subdivision of assembly areas obscures the continuing growth of Greater Accra.¹³

Table 2.1
Total and urban populations of Ghana, 1960–2030

Item	1960	1970	1984	2000	2010	2030 (predicted)
National population	6,726,815	8,559,213	12,296,081	18,912,079	24,658,823	34,715,384
Urban population	1,551,174	2,472,456	3,934,796	8,274,270	12,545,229	22,565,000
Urban population growth rate (percent)	n.a.	4.7 (1960–70)	3.3 (1970–84)	4.6 (1984–2000)	4.25 (2000–10)	2.79
Urban share of national population (percent)	23	29	32	44	51	65

Source: Government of Ghana, National Urban Policy Framework 2012.

Note: n.a. = Not applicable

The gains of urbanisation have not been distributed evenly. While increasing numbers of Ghanaians have improved access to basic services, population growth in urban areas has outpaced the expansion of services, with the proportion of the population in urban areas without access to piped water, sanitation and toilet facilities increasing between 2000 and 2010.¹⁴

Growing demand for well-located formal housing has increased the price of land and buildings. Ghana has seen expansion of informal settlements and peri-urban sprawl, increasing the cost of constructing and maintaining connective infrastructure.¹⁵ The proliferation of unplanned settlements and limited tax collection, due to high levels of informal employment, have made the expansion of networked infrastructure services unaffordable. These challenges are exacerbated by political reluctance to give tacit approval for informal settlements by providing services. The impact of rising populations on demand for services, alongside infrastructure deficits, are most pronounced in smaller urban centres, which have the lowest institutional or financial capacity to meet demand.

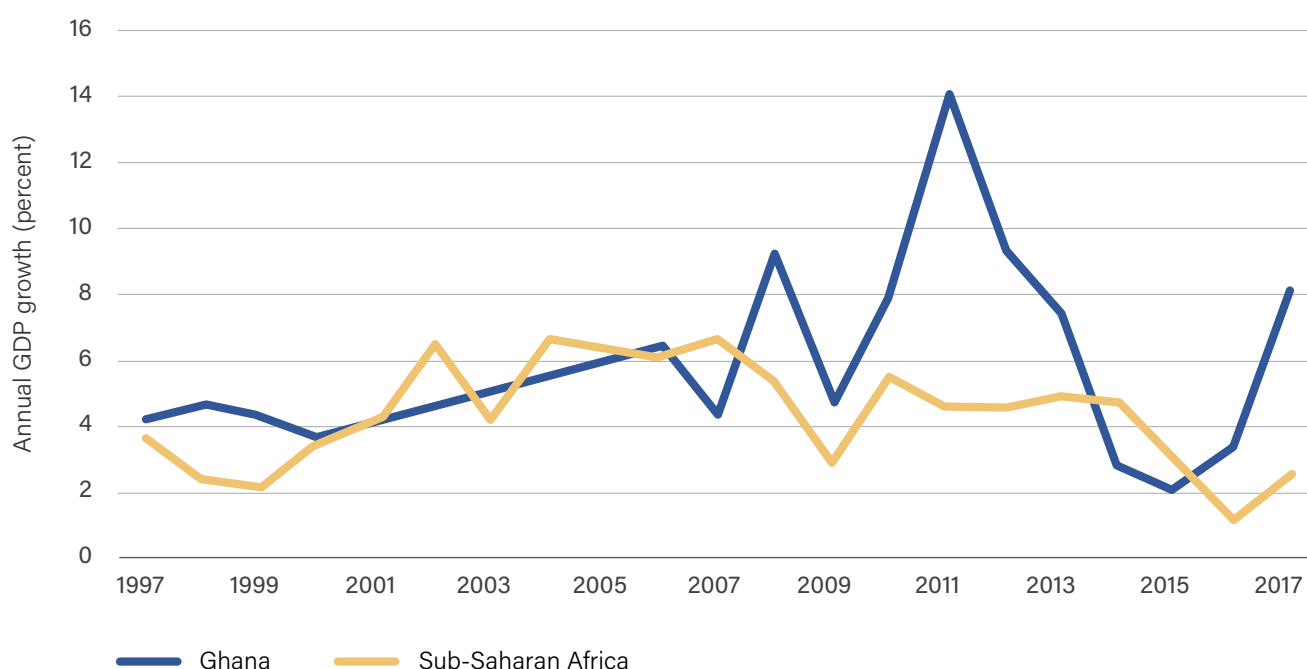
- Piped water:** between 2000 and 2010, the share of the population with access to piped water fell by 22.2 percentage points in Accra, 7.7 percentage points in Kumasi and 5.7 percentage points in Tema. In Accra the proportion of households with access to piped water dropped from 91% in 2000 to 69% in 2010; in Kumasi, the share fell from about 83% in 2000 to 75% in 2010.¹⁶ Lack of investment in water treatment and supply have forced people to rely on expensive bottled water sources, which is both costly and harmful to the environment.
- Toilets:** between 2000 and 2010, cities of all sizes in Ghana saw a reduction in the share of the population with access to toilet facilities. The greatest impact was in smaller urban centres and metropolitan areas. Tamale saw a reduction of 8 percentage points, Tema a reduction of 7.3 percentage points and Sekondi-Takoradi a reduction of 1.5 percentage points. In Accra and Kumasi, the greatest declines were in suburban and peri-urban areas, highlighting the challenges of extending infrastructure across sprawling urban areas.¹⁷
- Electricity:** in both urban and rural areas and across cities of all sizes, access to electricity rose between 2000 and 2010. The proportion of households in small towns using electricity for lighting increased from about 30% in 2000 to about 70% in 2010. In Accra, 92% of households in peri-urban areas had access to electricity in 2010, an increase from 75% in 2000.¹⁸ Although investment in infrastructure has increased, large regional disparities persist, with lower rates of access to electricity in the north than in the south.¹⁹

2.2 MACROECONOMIC PERFORMANCE

Economic growth in Ghana averaged 5.8% a year between 1997 and 2017 - a considerably higher rate of growth than the 4.4% average for sub-Saharan Africa over the same period (figure 2.1). Economic output has been buoyed by commercial oil production and exports of gold and cocoa. After peaking in 2011, economic performance has slowed, in response to a decline in export values and a financial crisis in Ghana that culminated in the bail-out of seven local banks, adding significantly to public debt.²⁰ Since 2016 economic performance has been improving, with rising output, falling inflation rates and relatively stable macroeconomic conditions, underpinned by tight fiscal and monetary policy. The African Development Bank's *African Economic Outlook* projects continued growth, supported by increased oil production from the new Tweneboa Enyenra Ntomme oilfield and growth of output outside the oil sector.²¹

Figure 2.1

Annual GDP growth in Ghana and sub-Saharan Africa, 1997–2017



Source: World Development Indicators 2019.

Ghana's gross domestic product (GDP) performance indicates a shift in the country's underlying economic structure, with a growing reliance on natural resource rents and a greater concentration of informal, service-based activity. Natural resource output constituted 20% of GDP in 2015; and three products – gold, cocoa, and petroleum – accounted for more than 80% of exports.²²

Agriculture and manufacturing employment declined between 2005 and 2015, with much of the labour force absorbed into retail and wholesale work and low-paying, precarious informal sector employment.²³ This change has had a particularly strong impact on youth, with the Ghana Institute for Fiscal Studies (IFS) describing a crisis of unemployment among 15–34-year olds.²⁴ About 90% of university graduates fail to find formal employment after national service, with many taking four to five years to navigate their way into suitable work.

These conditions have a significant impact on long-term economic stability, tax revenues, and the government's ability to secure lending and attract investment. The reliance on commodities and extractives complicates the management of the national economy, by exposing it to volatile global prices.

The national government has set out a vision of reform and investment, intended to promote sustainable economic growth and create formal employment opportunities, in order to secure Ghana's status as a middle-income country.²⁵ It aims to double per capita GDP, achieve annual economic growth rates of at least 7.2% between 2017 and 2024, and expand high-value manufacturing and exports.

The economic outlook for growth in Ghana is positive - if the government can work with local authorities and utilities to tackle structural impediments to development, as well as expand the power supply, scale-up connective infrastructure and diversify the non-commodity economy.²⁶ Growth is contingent on expanding the non-oil sector, mobilising major investment and ensuring that new infrastructure is both low-carbon and climate-resilient.²⁷ Ghana needs to foster cities that can produce tradable goods and compete for global investment in a carbon-constrained world, while ensuring that urban residents and assets are resilient in the face of climate hazards such as heat stress, flooding and rising sea-levels.

2.3 BUSINESS AND CAPITAL MARKETS

The service sector forms the largest part of the Ghanaian economy, accounting for 45.5% of GDP in 2018, followed by the industrial sector (35.3%) and the agricultural sector (19.2%).²⁸ Output grew in the mining and quarrying subsectors and health and social work services in 2018.²⁹ The sectoral structure is reflected in formal employment, with services constituting 74.6% of registered jobs, 23.7% in industry and just 1.7% in agriculture.³⁰

The service sector led economic growth between 2006 and 2016, with a significant increase in higher-value activity in the information and communications, finance, and insurance subsectors. The development of these subsectors indicates strong prospects for digital services, banking and media, which is attracting continuing investment in telecommunications networks. Within industry, the construction sector is the key area of growth, linked to capital investment in infrastructure and rising levels of commercial and residential development in cities and major towns.³¹

Economic activity and growth are concentrated geographically, with major cities in southern Ghana generating a majority of economic output and jobs. According to the *Ghana Comprehensive Sectoral Report*, 46% of national wage payments are made to employees in the Greater Accra Region.³²

Improvements in the wider business environment appear to be lagging; significant additional investment is needed in both physical and financial infrastructure to realise Ghana's full economic potential. The *Africa Economic Outlook 2018* reports that Ghana's ranking in the World Bank's *Doing Business Index* fell from 108th in 2016/17 to 120th (out of 190) in 2017/18, with large declines in the ability of businesses to register property, obtain credit and secure construction permits.³³ Reforms of the banking sector have sought to improve liquidity, in order to increase confidence in the market, and reverse slowing levels of credit to the private sector and high levels of bank non-performing loans (which amounted to 21.2% of gross loans in mid-2017).³⁴

The development of a strong domestic capital market is essential for private sector growth, providing access to long-term local currency debt securities and equity markets. According to the government, Ghana's financial asset base, including pension funds and collective investment schemes, rose to GH¢35.7 billion (about US\$6.57 billion) in 2018. The country also experienced modest growth in listings and trades in equities and corporate bonds on the Ghana Stock Exchange.³⁵ The key challenges are to mature the market, improve confidence and information flow, and increase the depth of the domestic investor base. Much of the increased use of capital markets has been by the banking sector, with limited participation by institutional bodies. There is a need for a more diverse representation of the private sector. A maturing capital market in Ghana would help rebalance the reliance on foreign private investment to support infrastructure improvements and reposition public sector finance towards risk reduction and long-term loan stability.

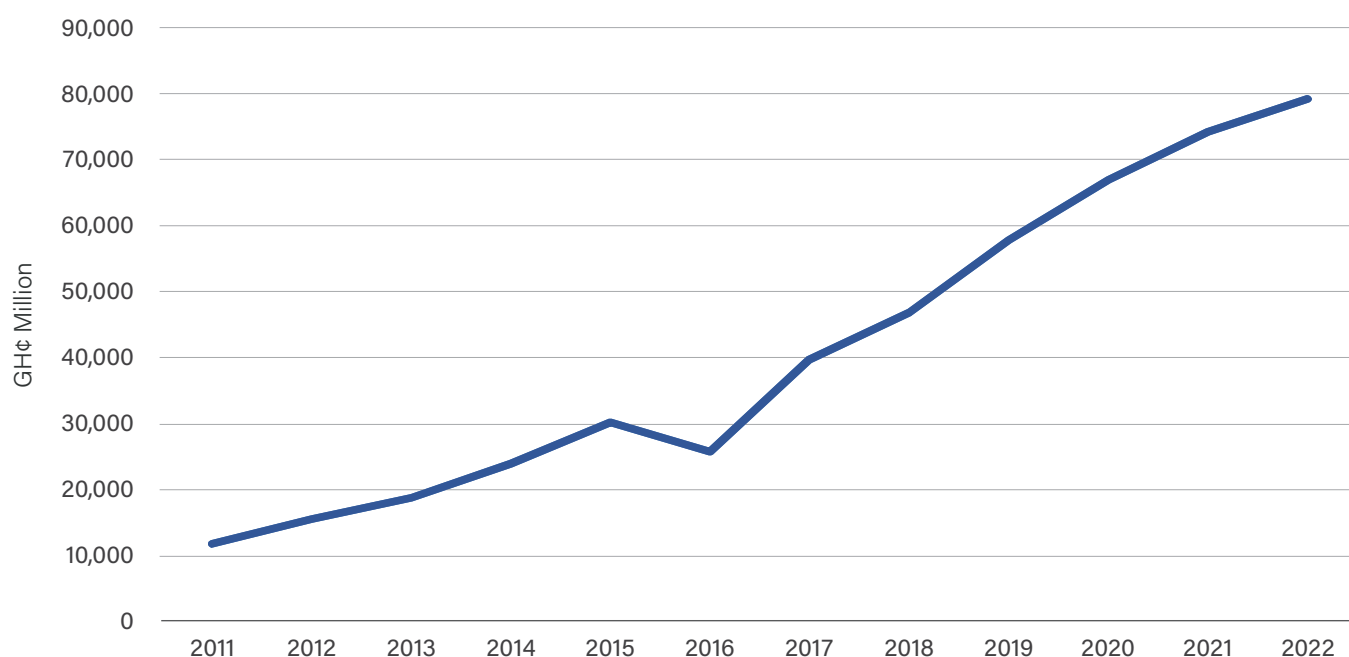
2.4 THE FISCAL CONTEXT: INCOME AND EXPENDITURE

A core responsibility of national governments is maintaining macroeconomic stability through fiscal and monetary discipline. In recent years, Ghana has struggled with fiscal and current account deficits, inflationary pressures, and high levels of debt that have constrained access to capital for productive domestic investment in infrastructure. The government has prioritised improving revenue mobilisation by strengthening tax administration and reducing opportunities for tax evasion. This priority will be underpinned by increasing the pace of formalisation, improving the financial literacy of informal sector operators and, most significantly, increasing private sector investment. Careful management of public budgets is intended to reduce the national debt burden and risks to macroeconomic stability.³⁶ The current ratio of public debt to GDP is 71% (against an international benchmark of 56%). While internationally comparable, vulnerabilities in the economic performance and limited domestic revenues have led the International Monetary Fund to indicate that Ghana is at high risk of debt distress.³⁷

Domestic revenues increased significantly between 2014 and 2018, with the Ministry of Finance reporting a rise in tax and non-tax receipts from GH¢23,937 million (c. US\$4,666 million) in 2014 to GH¢46,807 million (c. US\$9,125 million) in 2018 (figure 2.2). The largest revenue increases came from individual and corporate taxes, with revenues on income and property rising 95% and domestic goods and services 152% between 2014 and 2018. The large increases reflect expansion in the number of taxpayers and the closing of loopholes.

Figure 2.2

Actual and projected domestic revenue in Ghana, 2011–22



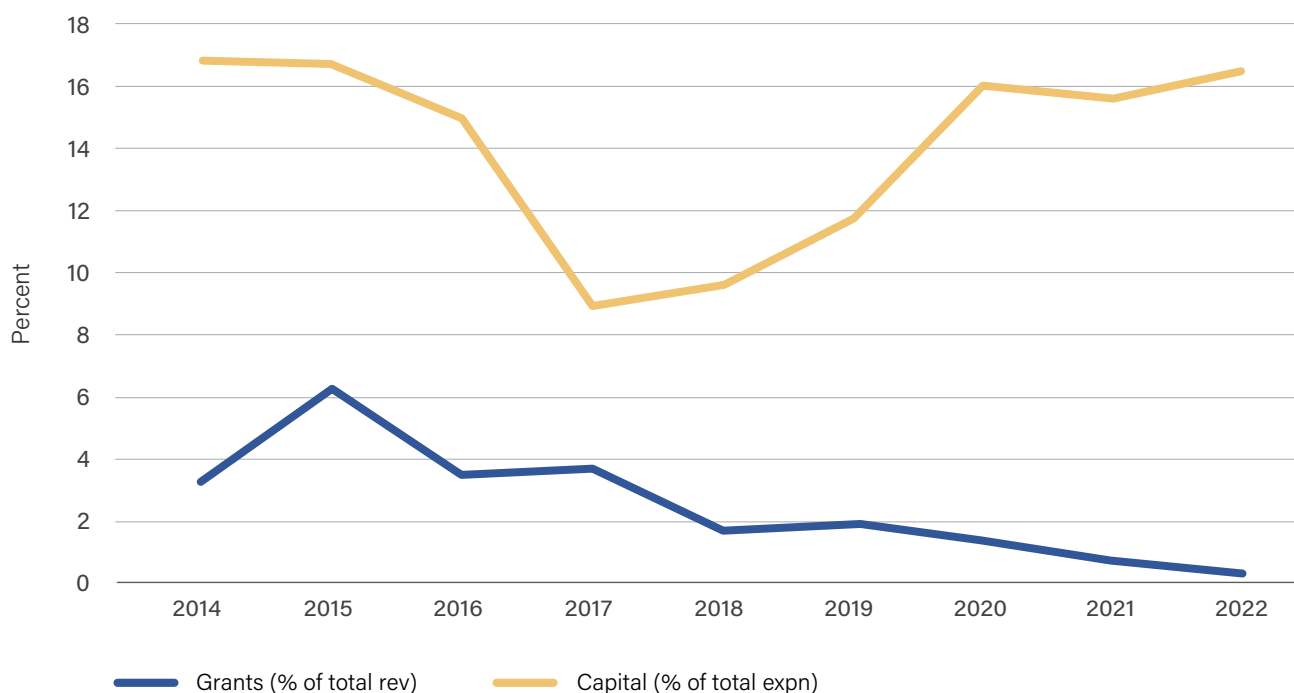
Source: Ghana Ministry of Finance Budget 2018.

Domestic non-tax revenues, including revenue from the sale of crude oil and fees and incomes from publicly owned companies, constitute about one-fifth of government income. The government projects the value of non-tax income to more than double, from GH¢6,430 million (c. US\$1,235 million) in 2018 to GH¢13,511 million (c. US\$2,633 million) in 2022. The rate of increase is greater than for other individual, corporate and trade taxes over the same period, albeit from a smaller base.

External project and programme grants constituted a significant proportion of national revenues, averaging GH¢1,172 million (c. US\$228 million) a year over the period 2011–18 (about 5% of state income). During this period, the share of revenue from grants fell (figure 2.3). In 2017 Ghana adopted a national policy (Ghana Beyond Aid) to reduce dependence on aid. The government forecasts that by 2022, grant income will be GH¢239 million (c. US\$46.5 million), only 0.3% of total revenue.

Figure 2.3

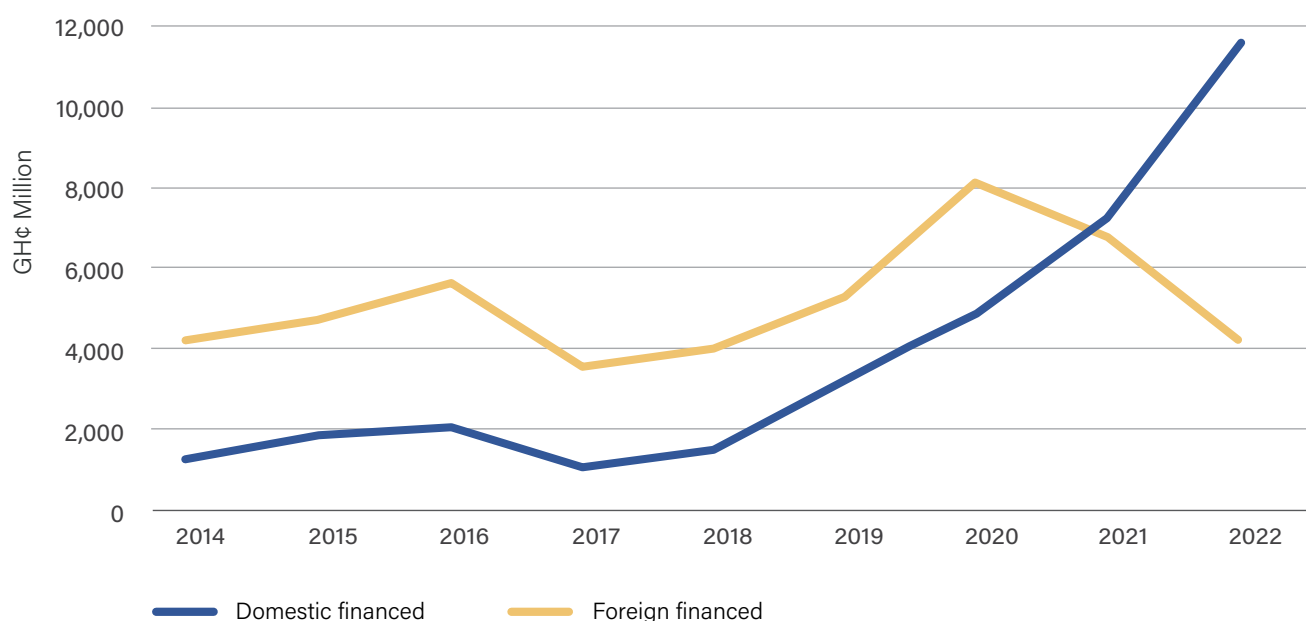
Grant income and capital expenditure in Ghana, 2014–2022



The decline in grant income has particular significance for investment in infrastructure, as Ghana has historically depended on external resources for capital expenditure. In 2014 the ratio of foreign to domestic finance for capital expenditure was over 3:1, with GH¢4,230 million (c. US\$824 million) of recorded capital expenditure categorised as foreign in the national budget statement, compared with just GH¢1,241 million (c. US\$241 million) from domestic sources. In light of the country’s national policy to both significantly boost domestic investment in infrastructure and increase capital expenditure from GH¢5,479 million (c. US\$1,068 million) in 2018 to GH¢15,744 million (c. US\$3,069 million) in 2022, Ghana needs to dramatically increase public revenues and domestic private investment to compensate for the reduction in grant income. The national government aims to have public and private domestic finances as the primary source of capital expenditure from 2021, with foreign finance contributing just 26.6% to total capital expenditure by 2022 (figure 2.4).

Figure 2.4

Sources of financing for capital expenditure in Ghana, 2014–2022



Source: Ghana Ministry of Finance Budget 2018.

Although the Ghanaian Government forecasts steady growth in tax income, increasing levels of planned expenditure on capital and recurring costs will contribute to a continuing fiscal deficit over the next four years. The national budget statements suggest that public debt will shrink as a percentage of GDP, due to anticipated economic growth (table 2.2). Managing the fiscal gap will require borrowing from international and (on a more limited scale) domestic capital markets. Managing total levels of government debt relative to public revenues and projected economic growth will become an increasingly important issue as grants and concessional lending become less available as a result of Ghana's elevation to lower-middle-income status.³⁸

Table 2.2

Reported and forecast government revenue and expenditure in Ghana, 2014–2022

	Reported					Forecast			
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total revenue (GH¢ million)	24,739	32,189	32,537	39,739	46,034	58,904	67,818	74,746	79,405
Total expenditure (GH¢ million)	32,368	39,238	51,125	51,416	56,964	72,710	80,815	89,267	95,368
Deficit (GH¢ million)	7,629	7,049	18,588	11,677	10,930	13,806	12,997	14,521	15,963
Deficit as percent of GDP	9.5%	7.3%	8.7%	6.3%	3.7%	4.0%	3.3%	3.2%	3.1%

Source: Government of Ghana, Ministry of Finance, 2014, 2015, 2016, 2017 and 2018.

2.5 INSTITUTIONAL STRUCTURES, POLICIES AND REGULATIONS

Existing institutional structures, policies and regulations frame the options and scope for urban infrastructure investment. For instance, national legislation governs the collection and transfer of revenue by different tiers of government, as well as the conditions under which sub-national governments can use financing instruments, such as municipal bonds, public–private partnerships and land value capture instruments.³⁹ The design of institutionalised relationships is key to the operation of public policy and expectations about the acceptable practices of public expenditure and administration.⁴⁰

In many respects, Ghana provides a model for decentralised governance in sub-Saharan Africa. The principles of administrative and fiscal decentralisation of authority are set out in the 1992 Constitution and in various statutes and national policy frameworks that followed. As shown in table 2.3, key instruments are included in Local Government Act 462 (1993), Local Governance Act 936 (2016), Public Financial Management Act 921 (2016) and Intergovernmental Fiscal Decentralisation Framework (2007).

These statutes set the rules for funding, financial management, taxation, regulatory functions of local authorities, and use of financial resources by the 260 Metropolitan, Municipal and District Assemblies (MMDAs). In theory, MMDAs have responsibility for the development of their jurisdictions, under the supervision and guidance of the national government. In practice, the fiscal and institutional architecture provides very limited freedom, with a vertical imbalance of power and resources in favour of the national government.⁴¹

Table 2.3

Key institutional frameworks affecting infrastructure investment in Ghana

Instrument	Institutional arrangement
Grant transfers	<ul style="list-style-type: none"> Funds and grants are transferred from the central government to MMDAs (Act 936), including the District Assemblies Common Fund and other grants in aid.
Borrowing (municipal debt financing)	<ul style="list-style-type: none"> Act 462 allows MMDAs to take out loans, but only up to a maximum value of GH¢2,000 (US\$372), without ministerial approval. MMDAs are permitted to borrow beyond the limit in Act 462 or issue debt securities with ministerial approval (Act 921).
Local tax-setting powers	<ul style="list-style-type: none"> Income, corporate and VAT taxes are set at the national level and collected by the Ghana Revenue Authority. MMDAs have limited local taxation powers. The national government caps rates for licenses and fees.
Land value capture instruments	<ul style="list-style-type: none"> Local government has responsibility for collecting property taxes, with the rateable value of properties set by the national Lands Valuation Division.
Private–public partnerships	<ul style="list-style-type: none"> Act 936 allows assemblies to purchase and use their land assets and allocate land to public or private organisations for development.

Although the principles of decentralisation were intended to create a foundation for local democratic participation and devolution of decision-making, national government closely oversees the operations of local governments in Ghana. In particular, the Office of the President is responsible for appointing one-third of assembly members and all-district chief executives (known as mayors - the lead political and executive head of the district). Many key powers and responsibilities require MMDAs to seek permission from national ministries or are curtailed to levels that lack any

financial significance. Rules and practices reinforce a culture of dependence on central government funding, shaping actions by local authorities and their ability to invest in infrastructure.

Local governments in Ghana have three principal sources of income to fund service delivery and investment in infrastructure:

- **Decentralised transfers:** grants transferred by the national government to the MMDAs, including the District Assemblies Common Fund (see Section 3).
- **Internally generated funds (IGF):** own-source revenue or income collected by the MMDAs from licenses, fees and charges.
- **Donations and grants** from development agencies and other organisations.

For most MMDAs, the primary source of funding is fiscal transfers from the national government. Although there is an expectation that local governments will generate their own revenues, in practice these funds form a very small portion of most local budgets. World Bank analysis indicates that where MMDAs do generate their own resources, the majority is used for recurrent expenditures, such as local salaries. The cities of Kumasi, Tamale, Sekondi-Takoradi and Ho, for example, spent on average 88% of their IGF on recurrent expenditures between 2005 and 2009.⁴² Section 3 explains why own-source revenue collection is so low and explores opportunities to improve domestic resource mobilisation and public spending efficiency.

3. Strengthening Ghana's fiscal architecture

Realising Ghana's growth and investment aspirations requires a step-change in domestic revenue mobilisation and fundamental improvements to the national systems of fiscal management. As set out in Section 2, there is potentially a large gap between national revenue and planned capital expenditure, which the national government expects to close through a combination of higher tax receipts and private investment. Achieving this represents a substantial challenge for Ghana, requiring more effective revenue collection at all levels, as well as a more creative approach to collaboration between the central government, local authorities, private sector and urban communities. Continued weak revenue performance and growing liabilities not only limit the potential to make transformative investments, they may undermine the medium-term stability of fiscal accounts.⁴³

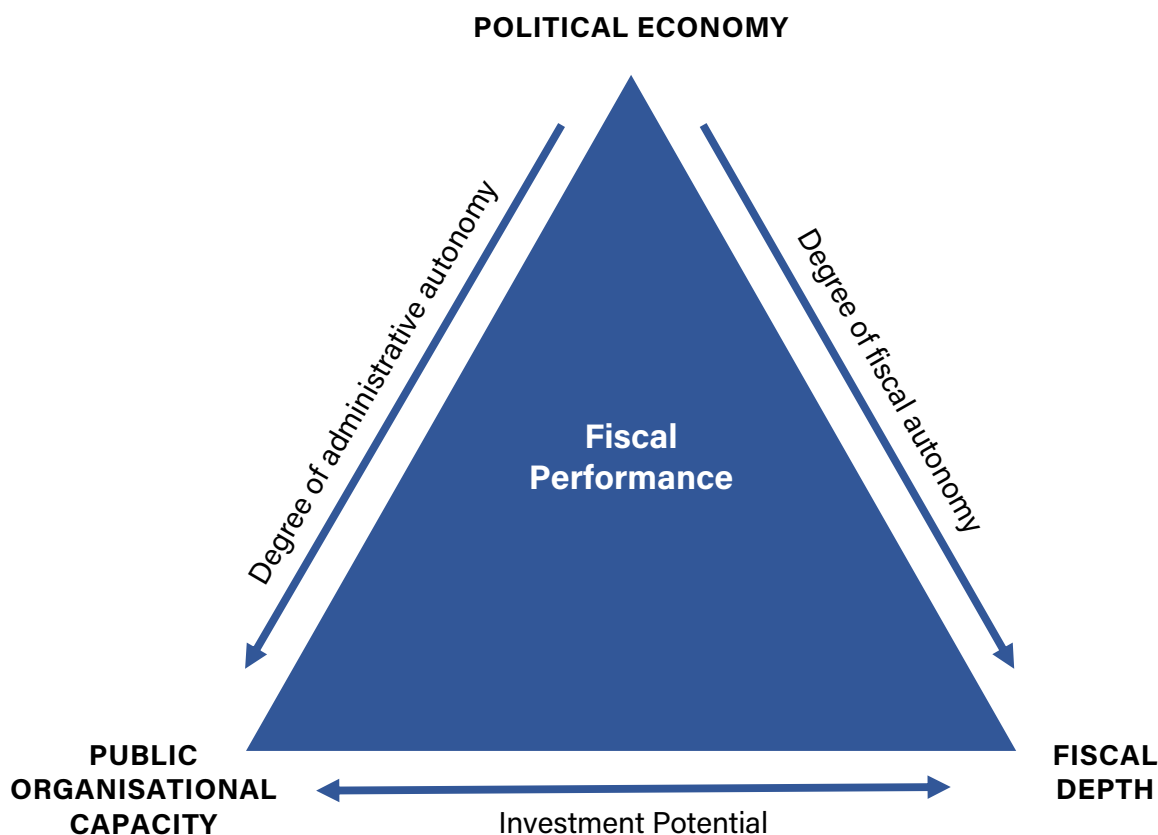
Improving revenue capture can only be effectively addressed as an iterative process of building institutional capacity through strengthening the operation of country-wide and local financial management arrangements. Improvements in performance must be systemic, by establishing a fiscal architecture that can respond, over the long term, to national development challenges and the wider global policy environment.⁴⁴

By the standards of the region, Ghana has a strong foundation in its economic assets and governance arrangements. However, the potential for revenue generation and local decision-making is not being fully exploited.

Fiscal performance is based on three primary factors, as illustrated in figure 3.1:

- **Political economy:** the distribution of power within national systems of governance, including power relations within government and among nonstate actors.
- **Fiscal depth:** the extent to which available options for sustainable taxation are exploited.
- **Public organisational capacity:** the human and technical resources available within national and local government to collect, manage and spend revenues in a way that furthers development and climate goals.

Figure 3.1
Key elements of fiscal performance



The functional relationship between these three primary factors determines fiscal performance and extent to which revenue is available to fund service delivery and productive investment at various scales. Political economy factors determine the organisational structures and capacity of local government and the extent to which tax revenues are devolved to municipal levels. The total value of potential income and local delivery capacity shapes the scope for investment in infrastructure. The following subsections review existing arrangements at the national and municipal levels, using the three factors to identify areas where fiscal architecture could be improved to increase the resources available for infrastructure investment.

3.1 THE POLITICAL ECONOMY OF INVESTMENT IN INFRASTRUCTURE

Effective relationships between central and local government are essential to delivering needed investments in sustainable urban infrastructure. The scale and complexity of urban growth heighten the importance of a balanced distribution of power, funding and responsibilities across tiers of government that make the most of delivery capacity, productive investment and build local accountability. This section outlines key issues of political economy that affect infrastructure investment. The challenge for Ghana is to fully utilise the existing statutory frameworks and resources to realise the benefits of decentralised systems of governance for urban development.

3.1.1 Central–local government relations

The 1992 Ghana Constitution identifies devolution as a precondition for sustainable national development.⁴⁵ It recognises the vital role local government plays in delivering essential services and infrastructure and providing a point of accountability for public authorities. Article 35 (6d) of the Constitution commits 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.”

Although the principles of devolution are written into public policy and law, in practice, local government is dependent on the national government for both resources and authority. While strong central government maintains national power structures, it limits the incentives for local government to shape and drive development through the provision of essential infrastructure.

The relationships between the central and local governments are vital to realising the economic potential of cities. Enhancing local accountability and decision-making, within a supportive national governance framework, are important foundations for urban development. Proposed changes to the Ghana Constitution aim to strengthen decentralisation by allowing for the direct election of mayors and all MMDA members (currently, the President appoints all mayors and 30% of assembly members).⁴⁶ Although the topic is politically contentious, the proposal has popular support as a way to reinvigorate municipal government and create clearer mandates for locally-led development.⁴⁷ If accompanied by reform of public finance arrangements to allow greater local fiscal autonomy, these changes could provide an important catalyst to improve local leadership and service delivery. The reforms could also help address public dissatisfaction with local government performance that has led to growing reluctance to pay local taxes, fees and charges.⁴⁸

Utilising the combined capacity of the public sector, at all levels, must be viewed as a necessary step to achieving national development goals. A key element is coordinating investment and interventions across tiers of government. A coherent fiscal and financing strategy must recognise the unique role of central government in authorizing large-scale and long-term infrastructure investment; as the principal regulator of financial conduct; and the body responsible for ensuring macroeconomic stability. Equally, municipal governments have a vital role to drive place-based investment, provide competitively priced and serviced land to meet the needs of growing populations, and build local adaptive capacity in the face of climate change.

The Ghanaian government has sought to improve local government capacity through the development and use of the District Development Facility, to fund improvements in social infrastructure, since 2009. The scheme was initially created by bringing together funds from the Government of Ghana alongside funds from Canada, Denmark, France, Germany and Switzerland. Forty-three percent of this investment has gone towards schools; investment has also funded public toilets, solid waste management, wastewater and healthcare services.⁴⁹ The national government has used allocations from the facility to incentivise improvements in the functionality and performance of municipal authorities. An assessment process has been developed (and subsequently linked to the responsiveness criteria of the District Assemblies Common Fund) to test the compliance and capacity of local government to determine grant transfers.⁵⁰ The assessment is intended to improve management structures, but it may also reduce the scope for local decision-making.

An important underlying feature of public governance in Ghana is how party politics shape policy and decision-making. Ghana has a political system in which elections are winner takes all, and relations with the private sector, unions and trade associations influence the direction of national programming and investment in infrastructure.⁵¹ Changes in government often signal the non-completion of projects or the cancellation of contracts commissioned by previous administrations. Long-term stability and more transparent decision-making are key to building confidence in politics and public management. Overcoming the weakness of personalised political systems is essential for the structural transformation of the economy.⁵²

3.1.2 The District Assemblies Common Fund

Ghana has a constitutional commitment to distribute at least 5% of national revenue to local authorities, through the District Assemblies Common Fund (DACF). Under Article 252 of the 1992 Constitution, every year the administrator of the DACF presents a formula for parliamentary approval that determines the criteria and distribution of funds. The primary aim of the DACF is to support local development, with funding weighted to address development gaps between rural and urban areas.

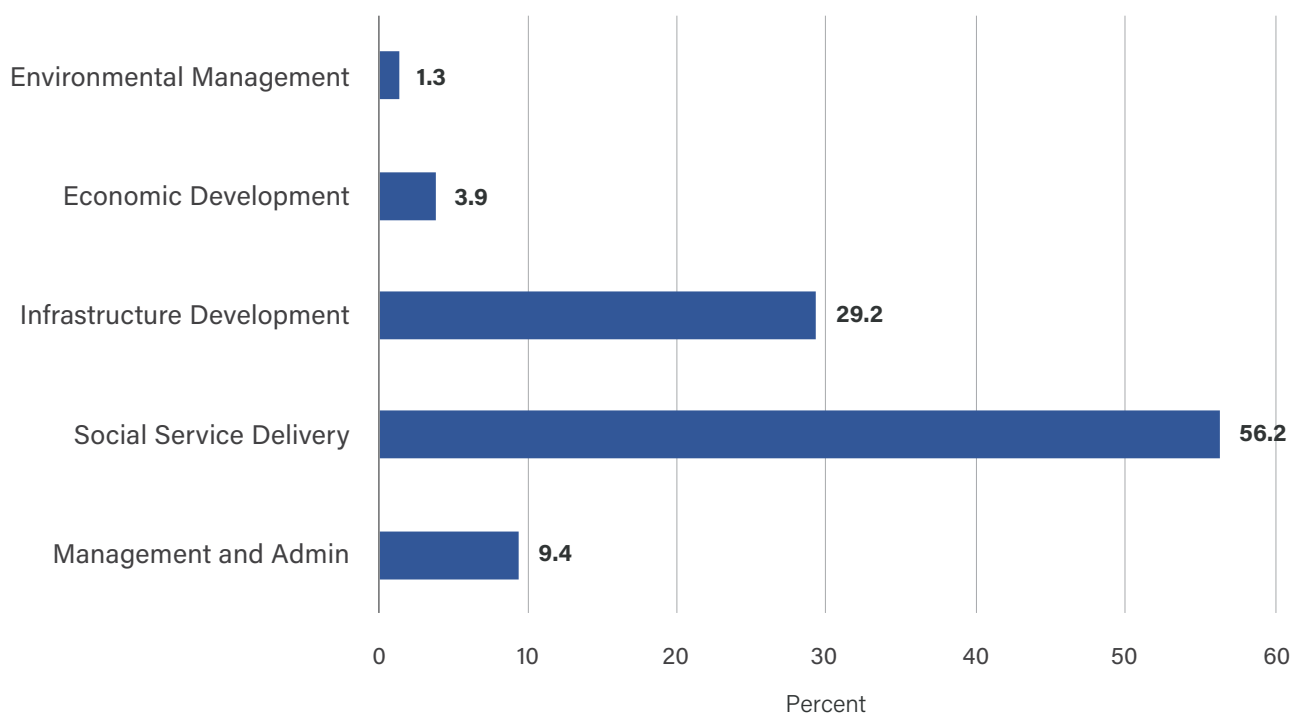
The distribution formula combines a top-slice to fund national programmes with a portion shared equally among local authorities and the balance used as targeted transfers based on a series of basic needs indicators at the district level. These indicators include access to health services, the number of basic education facilities available, the proportion of the District Assembly population with access to clean and potable water, and the availability of tarred roads. Incentive and responsive factors are built into the formula, which rewards the efforts of districts to raise local revenues and respond to pressures on services created by rural/urban migration. Annual approvals of the formula can also apply a cap to the percentage of the grant that can be used for recurrent expenditure rather than development projects and direct use on priority national programmes.⁵³

In 2018, 47% of the GH¢1,812 million (c. US\$352.5 million) budget was transferred to central government departments to meet the cost of national priority programmes, with the balance distributed to local authorities. In 2018 the approved formula saw the distribution of the remaining 53% of the DACF, with 60% transferred equally across districts and the remaining 40% distributed according to an assessment of local needs and local government performance.⁵⁴ In order to be allocated funds from the DACF, MMDAs must produce a plan and budget for approval by the DACF administrator.

Although the redistributive intention of the DACF is clear, the funds could be used more strategically to drive productive investment in infrastructure. With around half of the fund earmarked for national policy priorities, central government has been criticised for constraining local priority setting⁵⁵ and politicising the fund.⁵⁶ The portion of DACF shared equally across districts creates anomalies. Accra receives only 1.7% of the DACF, although it is home to almost 8% of the population.⁵⁷ At the local level, the DACF could be used more effectively, as funds are employed to meet near-term budget pressures rather than to support medium-term growth and development. The problem is illustrated in figure 3.2, which shows how a medium-sized municipality, with a population of 147,788, used only 29% of its 2018 allocation for infrastructure development.⁵⁸

Figure 3.2

Example of District Assemblies Common Fund (DACF) municipal budgeting



Source: DACF monitoring data.

The commitment to distributing a fixed portion of national revenue provides an important opportunity to finance key infrastructure investments across districts. Distributing the DACF in small amounts, with budgets set annually, restricts more impactful use of the fund to support strategic investments or underwrite longer-term municipal borrowing. The DACF forms a vital part of the compact between national and local government, but it can also be a barrier to more creative uses of limited national resources.

Table 3.1

Actions for strengthening political economy arrangements in Ghana

Goal	Action
Elect mayors	Finalise passage of constitutional amendment to allow for direct election of mayors and all assembly members.
Revise statutory frameworks	Ensure that decision-making and finance regulations applying to local authorities enable local leadership and accountability on development issues.
Improve the effectiveness of the DACF	Review the use of the DACF as a national strategic fund to support major infrastructure investment and borrowing.
Increase local accountability	Direct local authorities to publish local development and investment frameworks and identify opportunities for cross-boundary planning.

3.2 FISCAL DEPTH

Despite economic growth and falling levels of poverty in Ghana, domestic revenue mobilisation remains significantly below what could be collected if the systems of tax collection were improved at the national and local levels. Identifying and capturing prospective tax revenues will be vital to achieving the development goals of moving Ghana beyond aid.

The ratio of domestic revenue to GDP ratio is low in Ghana, at 19.6% in 2017. According to IFS Ghana, if Ghana had performed at the same level as its regional comparators (27.1%), it could have generated an additional GH¢26.6 billion (c. US\$5.16 billion) between 2012 and 2015, which would have covered the fiscal deficit.⁵⁹

This subsection outlines the current arrangements for tax collection at the national level and the responsibilities of local governments, in order to identify potential areas of improvement. It shows that significant gains could be achieved through the implementation of a relatively narrow set of improvements to the fiscal architecture, accompanied by efforts to strengthen existing systems of data management and enforcement and promote a culture of tax payment to support national development.

3.2.1 Income tax

IFS Ghana estimates that only half of Ghana's eight million potential taxpayers pay taxes.⁶⁰ A significant factor is the size of the informal economy, which accounts for 88% of the labour force and 75% of economic activity.⁶¹ Few self-employed and informal traders pay any taxes, beyond the licenses they may need for vending or providing local services. Difficulties associated with identifying individuals and tax liabilities, within a largely unregulated sector, result in a large share of potential revenue going uncollected: increasing the burden on formal sector employees and incentivising tax evasion.

Similar challenges have been addressed elsewhere within sub-Saharan Africa. Rwanda and Uganda have improved their income and corporate tax collections through nationwide public education programmes that showed how taxation contributed to improved public services, thereby resetting the social contract between government and citizens. Through improvements in registration, data management and enforcement regimes, Rwanda raised the ratio of tax revenues to GDP from 10.8% in 1998 to 16.7% in 2017, increasing revenues from US\$132 million to US\$1.3 billion. It collected 62% of its annual budget from domestically generated taxation in 2017, up from just 39% in 2000.⁶² In Uganda, the Kampala Capital City Authority overhauled the system of collecting local income taxes, largely from informal traders, to increase annual revenue from about US\$9 million in 2010/11 to US\$24 million in 2015/16.⁶³ The additional income has helped fund improvements to infrastructure such as street lighting, sewers and road maintenance.

In Ghana, the government has established a national campaign to increase tax registration and assign unique individual Tax Identification Numbers (TINs).⁶⁴ To enforce registration, the TIN is now a requirement for obtaining a range of other official documents, including setting up a formal business, opening a bank account, registering land and obtaining a passport and driver's licence.⁶⁵ Improving capture of information and connecting databases across central government agencies, where adequate security arrangements are in place, are expected to increase the pool of taxpayers and reduce evasion. Where the principle of data sharing across public agencies is extended from central to local government it would also support local revenue generation from property taxes and business licenses.

A key challenge for growing income tax revenue is including the earnings of own-account and informal traders, who constitute a majority of economic activity in Ghana. Actions that accelerate formalisation of business activity by reducing the costs of registration, offering secure property and trading rights, affordable accounting services and simplifying methods of tax payment by microenterprises could significantly improve tax capture from the informal sector.⁶⁶ To sustain improvements in tax collection, taxpayers must understand how their taxes are being used to improve public services or invest in infrastructure. Transparency of government decision-making and public awareness about the connection between tax and public spend are as important as enforcement regimes.

Building capacity and fully using the powers of local authorities, as set out in the Local Governance Act, 2016 (Act 936, Section 142), to collect presumptive income tax on informal businesses may increase revenue capture in ways that are consistent with the existing policy of fiscal decentralisation delivered through the Ministry of Finance. Care is needed to avoid disproportionate impacts on individuals with limited and unstable incomes, through adaptations of taxation that reflects the small scale and highly variable character of microbusinesses. Effective use of simple on-line and smart phone registration and payment systems contribute to higher compliance, as evidence from elsewhere in Africa shows.⁶⁷

Forming public sector partnerships with local banks and registered credit unions that are active with informal sector traders, may be an effective way to bring traders into the income tax regime. Some banks in major cities have adapted their operational arrangements to engage with informal traders and encourage them to set up bank deposit accounts. Modelling the approach of traditional *Susu*⁶⁸ services in Ghana, bank workers establish a presence in informal settlements and markets to engage traders about access to financial services. This approach may be effective in accelerating the rate of formalisation.

3.2.2 Value added tax (VAT)

The VAT on goods and services (standard rate of 12.5%) provides an important source of revenue for the Government of Ghana. In 2018 the budget report showed that VAT generated around GH¢8,885 million (c. US\$1,723 million), about 23% of total tax revenue. Between 2019 and 2022, the government projects growth of 33% (GH¢3,364 million c. US\$652 million) in additional income.

VAT captures the incremental value added at each stage of the supply chain. It creates an incentive for accurate reporting of income and profits in business-to-business transactions, thereby generating a data set that can be used to reduce tax evasion.⁶⁹ Effective capture of VAT requires investment in technology to improve data management and enforcement. The costs for both government and businesses suggest that simplifying reporting arrangements and closing gaps and allowances in key sectors, such as mining, could increase revenues from VAT.

A key issue for Ghana is the strategic use of exemptions as an economic development tool. There are trade-offs between granting exemptions to encourage business activity and maximising potential revenue generation, and creating a simple, efficient tax code. Exemptions applied to foreign investment in the extractive sector, and concessions for exporters and businesses in areas such as financial services and real estate, represent a missed opportunity to generate revenue.⁷⁰

The use of exemptions for basic goods important for low-income households, such as mosquito nets, may not have the intended effect of benefitting just poor households. Research by the UK Institute of Fiscal Studies indicates that applying a national flat-rate VAT accompanied by targeting cash transfers to low-income households can be more effective in reducing the real costs of basic goods, while also enhancing the equity of tax and spending. IFS UK estimates that the revenue forgone through the provision of concessionary VAT rates and exemptions represents more than 34% of potential VAT revenue under a flat-rate scheme in Ghana.⁷¹ Rationalising the VAT system would increase the overall level of revenue while more effectively meeting the needs of the poorest.⁷²

3.2.3 Local revenue (internally generated funds)

As part of decentralisation arrangements in Ghana, local governments are expected to generate local revenue to supplement central government transfers. The scale of local income varies considerably depending on the population of the district and levels of economic activity in each area. In most cases the scope of local taxation is limited and reliant on the collection of high volumes of low-value fees and charges, as illustrated in table 3.2 The ability of local governments to collect the full value of these taxes and charges is constrained by a lack of information on who should be paying tax and the systematic process of enforcing collection arrangements. As a result, these sources are not fully exploited.

Table 3.2
Local taxes, charges and fees in Ghana

Type of revenue	Specific power under the Local Governance Act 2016
Income tax	MMDAs have powers to collect income tax from local tradespeople, including tailors and dressmakers, drinking bar operators, butchers, scrap dealers and traders. Taxation is retained by MMDAs as part of their local revenue income (Section 142).
Local property rates	MMDAs can charge property rates within their administrative area. The amount payable by owners of premises is based on the rateable value, as determined by the Lands Commission. MMDAs have responsibility for managing collection arrangements (Section 144).
Licenses	MMDAs can charge a fee for issuing vehicle, entertainment artisan, hawker licences, birth, death certificates and electronic communication licenses (Section 137).
Fees	MMDAs can collect license fees for a range of activities, including markets, lorry parks, trading kiosks, chop bars (informal restaurants), advertisement hoardings and cattle pounds (Section 141).
Development charges	MMDAs can set charges for processing planning applications for physical developments (Section 92).
Betterment levy	MMDAs have powers to impose a levy on the sale of private property if the value of the land or property has increased as a result of public works or a decision of the Planning Authority (Section 102).

Source: Local Governance Act 2016 (Act 936).

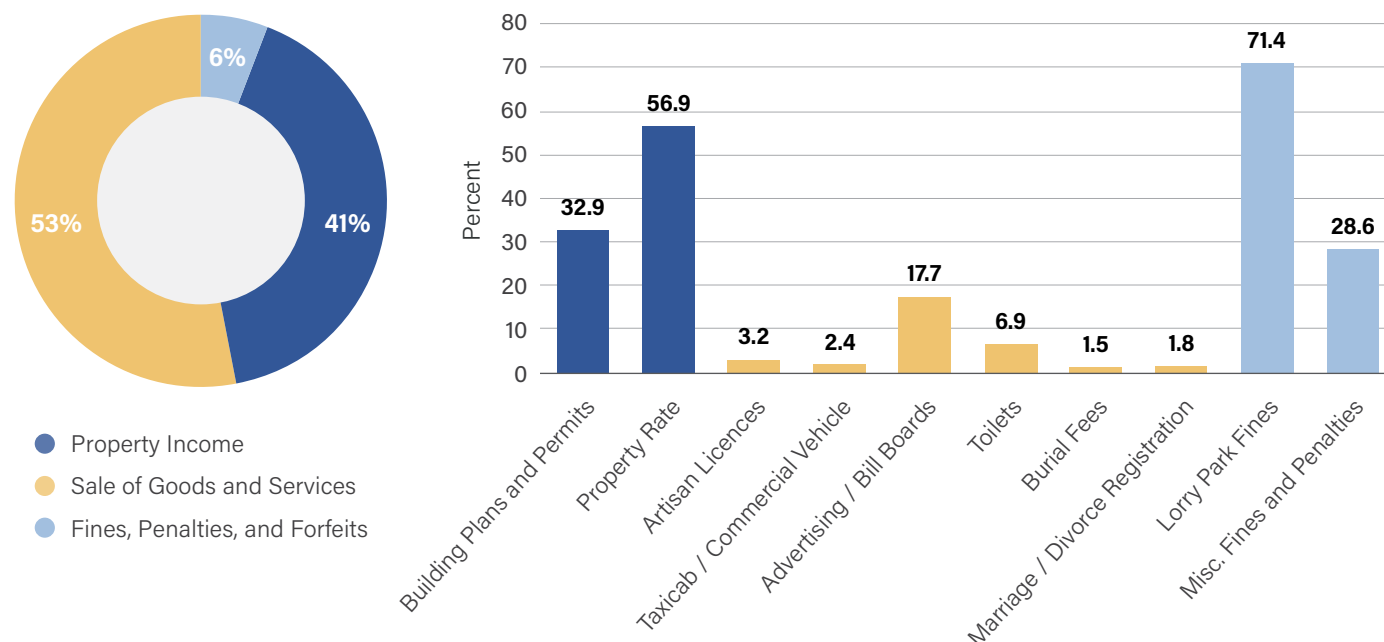
Ghana has launched various initiatives to encourage more local collection of taxes and fees, but the capacity of local government is severely limited in most MMDAs, resulting in low generation of income. Dependence on central government transfers and weak administrative systems have contributed to a public culture of acceptable evasion of payments and a lack of public understanding of the connections between taxation and the provision of local services. Recent research points to the lack of adequate information on all forms of local taxes as a key constraint to the growth of local revenues.⁷³ The Local Governance Act 2016 has improved the environment for municipal finance, by clarifying the authority of local governments, but implementation has been limited.

Large-city authorities generate the most local revenue, with the Accra and Tema Metropolitan Assemblies respectively raising GH¢40.1 million (c. US\$7.8 million) and GH¢19.1 million (c. US\$3.7 million), in 2015. This income provides a significant proportion of these MMDAs’ total budgets (58% and 57%, respectively), but the level of resource mobilisation per capita is low, at about GH¢23.79 (c. US\$4.62).⁷⁴ Most local authority areas, especially smaller towns, generate revenue income that represents less than 10% of budget income.

Figure 3.3 shows the profile of income sources for Accra Metropolitan Assembly across three categories – property income, sale of goods and services, and fines and penalties – and the principal sources of income within each category. A key feature is the variety and distribution of income sources across the categories. Analysis of published reports show that income from property constitutes 41% of local revenue and across 13 sub categories 90% of revenue comes from rates and building fees. The goods and services category generates 53% of income and includes 31 sub categories that include licenses for hawkers, fuel dealers and taxicabs, entertainment fees and street parking. These individually constitute relatively small amounts of income, as illustrated in figure 3.3. The category of fines and penalties generates just 6% of income, with the most significant source being lorry park fines.

Figure 3.3

Revenue generated by the Accra Metropolitan Assembly, 2016/17



Source: AMA Composite Budget 2017-19.

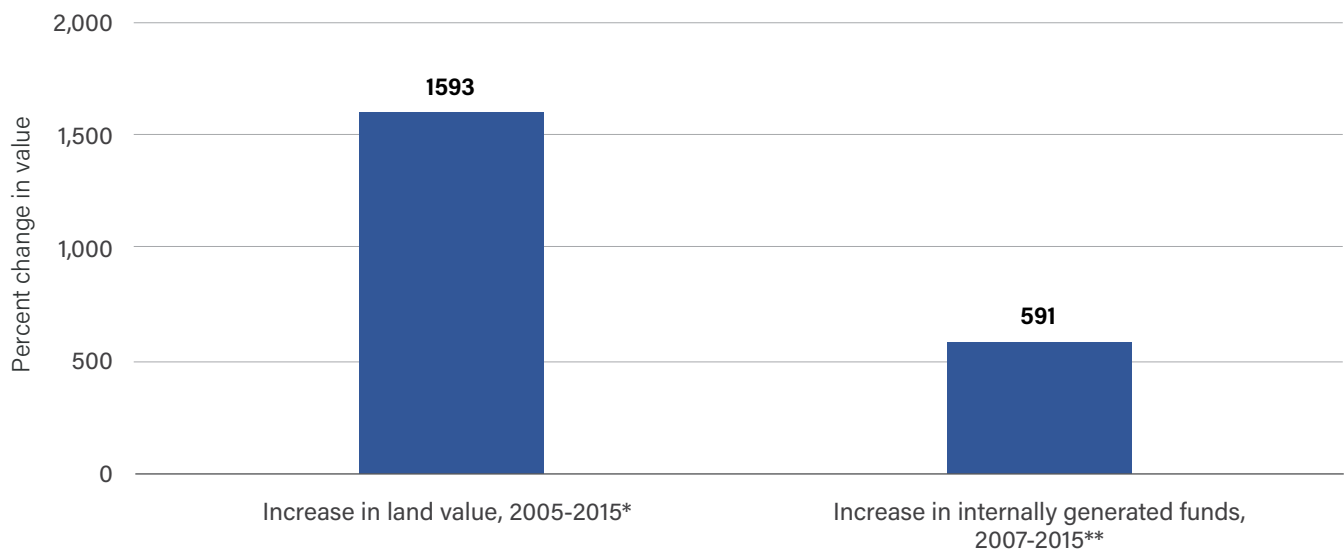
An important challenge for Ghana, particularly its rapidly growing secondary towns and cities, is how to significantly increase revenue generation. Currently, the upfront cost and difficulty of improving information management, income collection and enforcement exceed potential short-term returns. Unless human and technical capacity within local government and positive incentives from central government are increased, limited progress will be made to break the dependence of MMDAs on financial transfers.

3.2.4 Land and property tax

MMDAs are authorised to collect land and property taxes under the Local Governance Act 2016. This source of revenue is underutilised. While accurate data on land and property values are not available for Ghana, prices appear to have risen dramatically over the last decade, in response to demand from growing urban populations and commercial development of major cities.⁷⁵ Between 2005 and 2015, land values in Accra rose at around four times the increase in locally generated revenue (figure 3.4). Ideally, national and local governments should have been able to capture additional income from rising land value to invest in urban infrastructure.

Figure 3.4

Growth in land values and internally generated funds in Greater Accra, 2005–2015



Source: Land values LUPSA (2018) and Owusu (2008); IGF data from NDPC (2019).

* Average of Accra areas of Ofankor, Nungua and Nii Boi Town. ** Greater Accra

Property tax is vitally important as a source of revenue. While a relatively simple tax, it can have wider implications for the formalisation of land and property markets.⁷⁶ A well-designed property tax can promote more intensive use of land, rewarding compact urban growth, which is more economically productive and environmentally sustainable.⁷⁷

In Ghana property taxes are based on property valuation by the national Land Valuation Division – part of the government Ministry of Lands and Natural Resources. There is broad recognition that the valuation process does not work well in Ghana, because of the complex structures of traditional land ownership, weak databases on rateable land and property, and lack of capacity within local government to collect property tax. The challenge of accurate valuation is exacerbated by the rapidly changing market value of land in urban commercial areas.⁷⁸

The lack of comprehensive information is a major obstacle for local government to identify properties due for tax. In nearly two-thirds of local authority areas, less than a quarter of properties have an official address.⁷⁹ To close this gap, Ghana has a national street-naming project underway and a programme of digital cadastral mapping, sponsored by the national government and donor organisations. Linking street mapping data to property valuation and local government revenue management systems creates a powerful means of setting and tracking the collection of local taxes. It does require investment in computer hardware and software, staff training and clear local responsibilities to ensure the updating and future accuracy of the databases.

The complexity of increasing income from land and property suggests a need for a simplified local “beneficial tax”, where payments are based on occupancy rather than ownership and are firmly linked to local public service delivery.⁸⁰ A flat-rate system that is deliverable, even when local administrative capacity is limited, and that ensures a clear and equitable relationship between taxation and services, may help to improve the generation of local revenues in Ghanaian cities. Where fully devolved to local assemblies, as part of regulatory reforms, a simplified approach to land and property taxation, based upon property size, use or value, provides an opportunity to fully exploit digital mapping to delineate individual properties and mobile technology to simplify payments.

Table 3.3
Actions for improving fiscal depth in Ghana

Goal	Action
Implement revenue software nationally	<ul style="list-style-type: none"> Fully implement the requirement that all MMDAs have and use financial management software.
Improve collection of property taxes	<ul style="list-style-type: none"> Use improved information to set income targets. Pilot implementation of a “beneficial tax model” based on occupancy rather than ownership. Improve the tools available to municipal authorities to capture contributions from development schemes towards infrastructure costs.
Localise income tax collection for workers in the informal sector	<ul style="list-style-type: none"> Use license information to construct a database of informal sector traders. Launch local initiatives to encourage and support formalisation of informal businesses. Devolve responsibility for collection of local taxes from traders to local government.
Improve revenue take from VAT	<ul style="list-style-type: none"> Narrow exemptions for VAT. Review impact of exemptions on low-income households.

3.3 PUBLIC ORGANISATIONAL CAPACITY

Significant improvements could be made to capture more revenue by improving the effectiveness of local management arrangements. This subsection describes how the fundamentals of tax collection and finance management could be strengthened in Ghana.

3.3.1 Information management

Ghana’s public sector suffers from critical gaps in technical and human capacity to maximise revenue. The use of financial management databases and property registers is key to identifying and securing the collection of local revenues. A 2018 International Growth Centre study shows that districts that used revenue management software databases collected about 83% more income from property than similar districts that did not use such technologies.⁸¹ Despite their importance, just one-third of local authorities have electronic databases for either property or businesses.⁸² The lack of accurate information reduces the ability of local governments to generate local revenue or use the planning system to create opportunities for infrastructure investment.

The collection of local taxes and charges is problematic, with more than a third of MMDAs sending bills to less than a third of properties, due to a lack of information on properties within the district or on the property owner. When bills were issued obtaining payment was also a challenge, with about 30% of issued bills not paid within a year.⁸³

Limited use of electronic payment systems in Ghana increases the risk of fraud and theft. Most local authorities use a mix of directly employed tax collectors and contracted individuals or companies that receive a fee or a portion of the collected taxation. The lack of accurate data and bank payments make the management of collection very difficult, with underreporting of receipts and theft common. Research indicates that more than 80% of all payments to MMDAs for property and business licenses are made in cash, with the least used method being bank transfers, which amounts to only 1% of MMDA payments.⁸⁴ Given the availability and growth of mobile banking in Africa, particularly in Ghana, payments could be made more securely and with greater accountability by minimising cash transactions.

Improvements to audit and financial control would also help counter systemic weaknesses in management that provide opportunities for loss and misappropriation of public funds. In 2018, Ghana's Auditor General reported the investigation of several major cases of fraud to Parliament, recommending actions to tighten public financial management controls and prosecute officials engaging in fraud.⁸⁵ Perceptions of corruption at the central and local government levels reduce public and commercial confidence, the willingness to pay taxes, and the level of private investment in infrastructure and services.

3.3.2 Efficient delivery

It is vitally important that public organisations use funds effectively when investing in infrastructure projects. Human and technical capacity to plan and manage the delivery of schemes to budget can make a significant difference in the price of developments and whether they are completed.

Government officials in Ghana suggest that lack of capacity remains a major obstacle at both the national and local levels, with significant waste and cost overruns caused by ineffective management arrangements.⁸⁶ A study by the International Growth Centre of 14,000 infrastructure projects indicates that about a third of local infrastructure projects are not completed.⁸⁷ Cost overruns, cash flow, technical problems and shifts in political priorities lead to project abandonment. The report estimates that unfinished projects consume nearly 20% of capital expenditure by local authorities.

Implementation of major donor projects has also proved problematic in Ghana. For example, the World Bank Urban Transport Project, which focused on Kumasi and Accra, failed to meet its objectives to deliver improved public transport and lower CO₂ emissions because of institutional, financial management, and programme monitoring and evaluation issues.⁸⁸ Recommendations from this project highlight the difficulty of delivering major infrastructure projects due to a lack of stable administrative and finance arrangements. The timescale for delivery and potential for shifting political priorities can result in project failure. The underlying complexity and limited programme and policy capacity in urban areas can mean that business-as-usual approaches to project delivery are inappropriate.

Frequent changes in the administrative areas of metropolitan, municipal and district assemblies also weaken efficiency of delivery. The number of local authority areas in Ghana more than doubled between 1988 and 2018 (from 110 to 260), through reorganisation and subdivision of jurisdictions. Although boundary changes may be justified to improve representation of citizens, the practice makes it difficult for cities and the wider local government sector to deliver development. Fragmentation of capacity affects the ability of local authorities to generate a sufficient scale of revenue and maintain the technical capacity to lead and deliver infrastructure improvements.⁸⁹ Changes in administrative boundaries also disrupt local government relationships with communities and private sector partners. Cross-area collaboration on large-scale initiatives, such as transport schemes, is difficult when local governments compete for national funding. Changes to administrative boundaries have been criticised as being politically motivated to create political constituencies or capture additional shares of funding, such as DACF.⁹⁰ Where regional structures are weak and unable to take on strategic planning functions, diluting technical capacity across small local authority areas reduces the ability of districts to lead development activity.

Table 3.4

Actions for strengthening public organisational capacity in Ghana

Goal	Action
Improve the accuracy of information on property and business license payers	<ul style="list-style-type: none"> • Fully implement street naming and geographic information services (GIS) across all MMDAs. • Establish legal responsibility for MMDAs to collect and maintain accurate local databases. • Implement national commitment to simplify and devolve valuation processes to MMDAs.
Increase levels of internally generated funds, by reducing high marginal costs of collection	<ul style="list-style-type: none"> • Directly employ collection staff and manage their performance. • Partly devolve valuation arrangements to MMDAs to build capacity and improve the speed of valuation in line with market conditions.
Reduce theft and misreporting of property tax and business license collection	<ul style="list-style-type: none"> • Significantly increase the use of bank transfers and electronic payments to remove opportunity for theft. • Build a culture of responsive payment through education and participation in local decision-making.
Match financing arrangements with political accountability	<ul style="list-style-type: none"> • Revise statutes linked to the direct election of mayors, to increase local decision-making and accountability to local electorate. • Increase municipal freedom to set rates for statutory charges to relate to local development goals.
Localise staffing budgets and management	<ul style="list-style-type: none"> • Transfer staffing and budget responsibility for MMDA core staff from the central government to local authorities.

4. Mobilising public and private investment for urban infrastructure

Economically successful cities, with sustainable environments, depend on the provision of essential infrastructure. In particular, a sufficient supply of clean energy and affordable transport, sewers, piped water and telecommunications networks are critical. These investments have to be bundled in a coordinated way to crowd-in private investment to housing, industry and commercial properties.⁹¹ These investments also need to be climate-compatible, with carbon-neutral electricity generation and transport systems by mid-century to avoid a global temperature increase of more than 1.5°C.⁹² These investments can pay for themselves many times over in terms of improved public health, enhanced productivity and avoided climate risk. However, they typically have substantial up-front capital costs, which can be difficult for low- and lower-middle-income countries to finance.

Productive investment in infrastructure through borrowing, public-private partnerships (PPPs) and land value capture instruments can be an effective way to meet the high up-front costs of major capital schemes. These mechanisms can also help cities share the capital costs of infrastructure equitably over time; draw on private sector capabilities in design, construction and operation; and allocate financial risk to the public and private sectors.⁹³ Although the medium- and long-term benefits of borrowing and PPPs are attractive to catalyse growth, using these instruments needs to be affordable over the lifetime of the investment and not destabilise macroeconomic or fiscal performance. This section considers the opportunities and challenges of debt finance, PPPs and land value capture in Ghana.

4.1 OPPORTUNITIES AND CHALLENGES OF DEBT FINANCE

Borrowing by national and city governments can be an important way to meet the initial capital costs of infrastructure and distribute the costs fairly among different users over time. However, it requires a strong regulatory framework to meet the requirements of lenders and manage total levels of debt. Governments need a financial model able to structure the repayment of debt from steady revenues or rising asset values over an appropriate period. To attract capital finance, they must also be able to demonstrate a track record of project delivery and creditworthiness to reassure lenders. Meeting these conditions is essential to both access debt finance in the longer term and ensure that the potential benefits of capital investment are fully realised.

The Government of Ghana has historically borrowed heavily from development finance institutions and international markets to finance its economic and human development ambitions. Over the last decade, Ghana has reduced its public debt and rebalanced its national finances in an effort to become more self-sufficient. Depreciation of the Ghana Cedi, which increased the cost of borrowing, made these efforts difficult. In addition, the government has bailed-out seven failed banks, adding 11.5% to the rate of debt accumulation in 2018. Reforms, led by the Bank of Ghana, are reportedly improving the capitalisation of the finance sector. The governor of the Bank of Ghana stated in May 2019 that liquidity levels up to the first quarter of 2019 were the highest recorded in the previous 12 years.⁹⁴ Improved performance of the banking sector must be accompanied by increased commercial lending, including innovation in supporting investment in city-level infrastructure.

Domestic and foreign public debt reported in the government's 2018 budget statement was GH¢170,839 million (c. US\$33,158 million), equivalent to more than 70% of GDP.⁹⁵ The rebasing of GDP in November 2018 resulted in the ratio of debt to GDP falling to 57%. Organisations in Ghana have criticised rebasing as a politically motivated adjustment to create space for additional borrowing. IFS Ghana highlights the substantial costs of servicing debt, with the government spending more than 40% of its tax revenue on repayments, creating a major burden for the fiscal balance sheet.⁹⁶ Although prudential borrowing remains an important element of national budgets, the scope for increasing debt to fund infrastructure is limited.

At the national level, Ghana experienced rising levels of debt finance over the last decade, with US\$22 billion of external debt in place in 2017, according to the World Bank. Some 86% of this debt was long-term repayments guaranteed by public revenues.⁹⁷ As part of the national debt management strategy, the government has capped non-concessional lending over the medium term at US\$750 million, with plans to issue medium- and long-term bonds to finance infrastructure expenditure.

In 2018 the government released medium-term treasury bonds with maturities of three, five, seven and 10 years; a US\$1 billion Eurobond with a 10-year maturity; and a US\$1 billion in Eurobond with a 30-year maturity. It also indicated plans to issue a very long-term century bond as a way to retire more expensive financial instruments and create substantial resources to fund transformative infrastructure investment. Proposals to issue a US\$50 billion 100-year bond were pulled back in the face of criticism that such a bond would place a huge financial burden on future generations, should Ghana fail to meet repayment costs or capture the growth benefits from the use of the bond proceeds.⁹⁸ The challenge for Ghana is perhaps less about debt finance, but creating the institutional and human capacity to deliver the intended infrastructure investment in ways that realise national development goals.

A growing area of debt finance is from private lenders and bilateral agreements. By achieving lower-middle-income status in 2011, Ghana reduced access to multilateral concessional lending. Engaging in domestic and international markets can provide an effective means to generate funding. However, interest costs are higher (about 7-10%) than concessional funding, with access depending on the creditworthiness of the country. The Jubilee Debt Campaign estimates that about 63% of Ghana's debt is owed to domestic and foreign private lenders.⁹⁹

Ghana recently agreed to two financing arrangements with China. The first is a US\$66 million grant to improve coastal port facilities. The second is a US\$2 billion agreement with Chinese company Sinohydro Infrastructure. The agreement with Sinohydro is a barter arrangement that exchanges access to refined bauxite for capital finance for a major national programme of road and bridge improvements. Discussions with stakeholders in Ghana highlighted concerns about the risk of these arrangements, which may lead to macroeconomic instability and threaten long-term returns from key extractive industries.

Regulations governing borrowing by MMDAs were improved by the Public Financial Management Act 2016 (Section 74), to allow local government to borrow funds if they obtain permission from the responsible minister. Under the 2016 Act, local government may, with permission, issue debt securities to the public. The act establishes the principle that municipalities must take responsibility for repayments, except where debt is guaranteed by the government, but it limits borrowing to national sources. The new regulations allow larger municipal authorities to diversify their investment strategies. For authorities with strong local economies and public financial management arrangements, there is scope for issuing municipal bonds to support upfront infrastructure capital. Although limited, experience across Africa indicates that a strong collaboration between national and local governments and private sector actors to create enabling conditions for bonds and prepare projects for financing can be effective in securing resources.¹⁰⁰

4.2 OPPORTUNITIES AND CHALLENGES OF PUBLIC-PRIVATE PARTNERSHIPS

Establishing partnerships between public and private sector organisations to fund the delivery of infrastructure is a core aspect of development policy. Agreements based on a combination of public and private inputs into the design, financing, and operation and maintenance of public infrastructure may provide a means for the government to leverage land and property assets or future revenue to gain access to up-front capital investment and expertise. However, these agreements are predicated on the generation of long-term income streams used to recover initial investment capital and provide the profit required by the private sector. For this reason, PPPs are not appropriate for infrastructure if there is not a clear revenue stream or if there are high risks associated with service uptake. PPPs may also create long-term financial obligations for repayment and maintenance costs that are not fully recorded on balance sheets, adding to national or city-level debt.

With careful design of partnership agreements, private sector inputs can be tailored to fill gaps in the financial and technical capacity of the public sector. Effective institutional arrangements are needed to fix and enforce the terms of the agreement, and strong technical skills and experience are needed to develop and negotiate contracts. The scale of a PPP can be matched to the specific task, from countrywide programmes to localised partnerships in which infrastructure costs are met through blended local finance or co-production involving both business and community members.

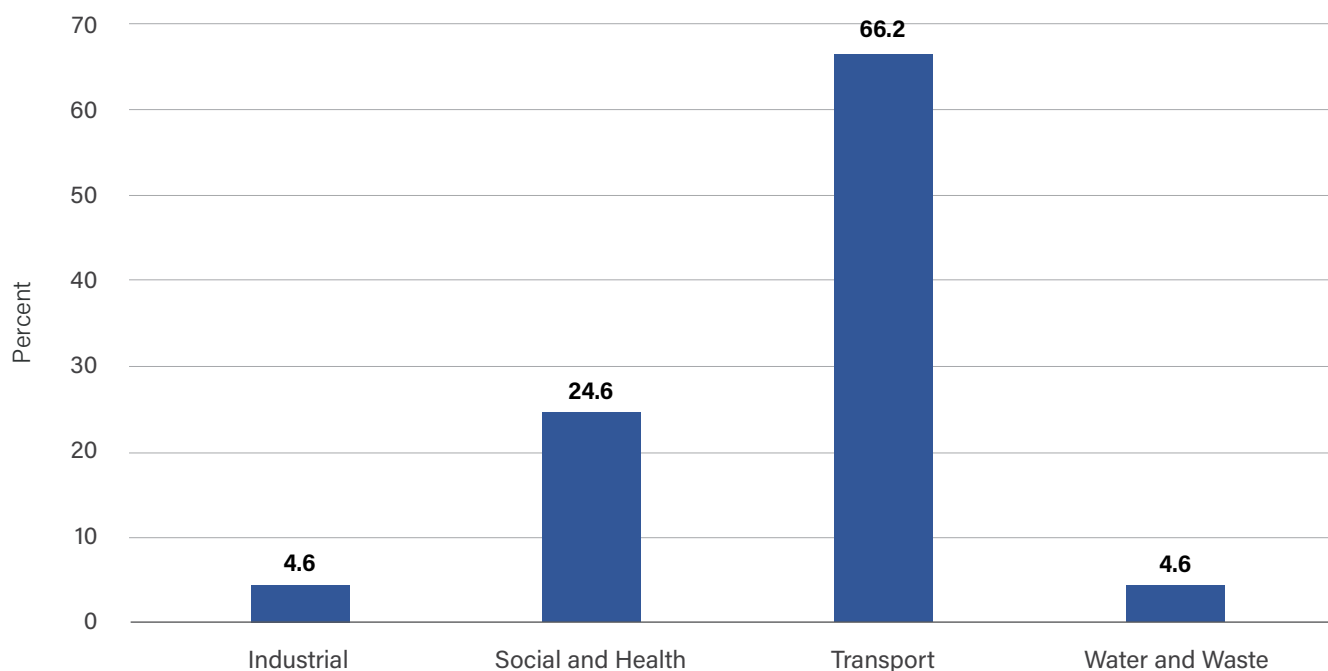
Although PPPs remain central to debates on closing development finance gaps, international experience has been mixed, with limited private sector engagement in more challenging development contexts. The United Nations reports that the public sector continues to provide the main source of infrastructure finance, accounting for 87–91% of infrastructure investment in low- and middle-income countries.¹⁰¹ Research by C40 Cities underlines the reliance of cities in emerging economies on international development agencies for climate-responsive infrastructure finance.¹⁰²

The Government of Ghana has placed great emphasis on exploiting the potential of PPPs to fill the revenue gap in national budgets. Its National Coordinated Programme identifies the private sector as critical to the delivery of development, and the government has committed to supporting work at the national and municipal levels, particularly where the private sector has a comparative advantage of capacity, expertise and resources.¹⁰³ As part of this commitment, Ghana established a Private Investment Division within the Ministry of Finance to promote and support PPPs at the national and local levels.¹⁰⁴ The Private Investment Division records 32 large projects in Ghana that are funding major infrastructure schemes (figure 4.1). The value of projects (where information is available) is US\$1.973 billion. Across the four sectors identified in Ministry of Finance data, the largest programme of work by value is in the transport sector, with major investments in regional road infrastructure and the development of port facilities. Social and health programming covers a variety of areas, including the development of markets, improved

hospital and healthcare facilities and a new convention centre in Accra. Although the database includes categories for energy and telecommunications, the list includes no projects in these sectors. Schemes included in the programme are sponsored primarily by national government departments or agencies. The only local authority included is the Accra Metropolitan Assembly.

Figure 4.1

Public-private investment projects in Ghana, by sector and share, 2019



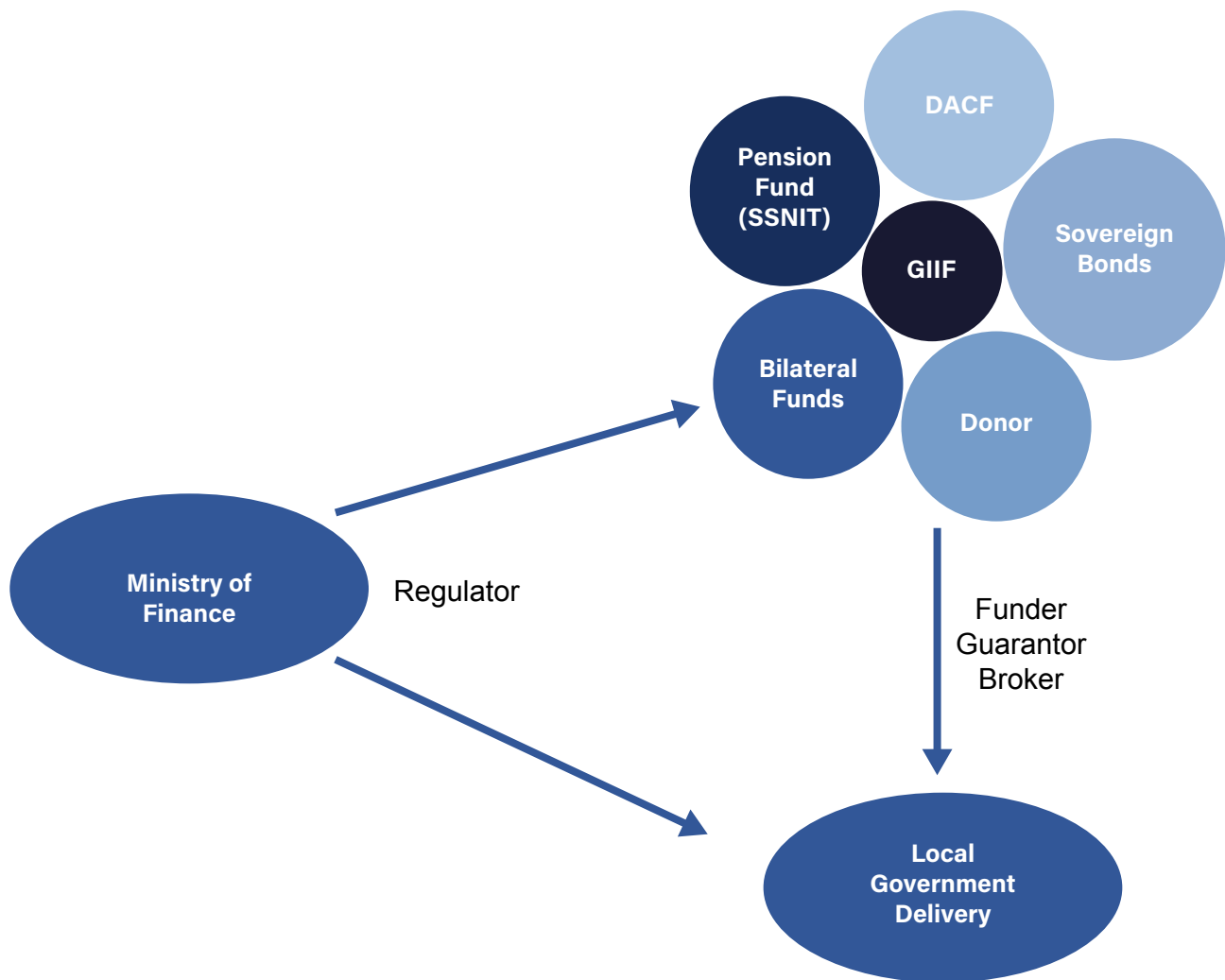
Source: Ghana Government, Ministry of Finance, 2019.

Analysis of the PPP market in Ghana commissioned by the UK Department for International Development (DFID) shows that for schemes that closed between 2005 and 2014, the largest source of finance was development finance institutions.¹⁰⁵ Some 83% of their financing was provided in the form of debt. The study indicates that weaknesses in public capacity to develop bankable infrastructure projects for PPPs limits the range of initiatives underway. With a majority of finance from foreign sources (including China, Middle East and United Kingdom) there is limited space for local developers, who are perceived as lacking experience of bringing projects to financial closure. The main institutional PPP investor is the Ghanaian pension agency, Social Security and National Insurance Trust, which has provided finance for several infrastructure projects.

Ghana has also established a national investment finance vehicle – the Ghana Infrastructure Investment Fund (GIIF) – to build a portfolio of infrastructure projects funded through domestic public revenue and international PPPs. Set up in 2017, the initiative is underwritten by public funding as a mechanism to secure global investment. IFS Ghana suggests that the full potential of the GIIF is not being harnessed, with parallel processes of issuing bonds and negotiations with the private sector being run from across government.¹⁰⁶

In a context where rising values of international funds are being routed into blended finance programmes, a more strategic approach to aligning policy and using finance vehicles to crowd-in private investment is important for Ghana.

Figure 4.2
Aligning capital finance



Maintaining a national credit rating and solid prospects of steady growth will contribute to the attractiveness of Ghana for private investment.¹⁰⁷ Creating structures that help orchestrate available funding to support national and city-level infrastructure investment can improve the prospects of attracting PPPs. Ghana could make more of existing funds and investment vehicles where they are aligned to create scale (figure 4.2). A more strategic approach to using available resources would also provide an opportunity to fund, guarantee or broker municipal borrowing or infrastructure investment at the local government level.

An additional means of local and city-scale partnership investment is the use of co-production of infrastructure. Coordinated inputs of public, private and community finance; assets; and expertise in the delivery of new or improved infrastructure schemes are well established across cities in the Global South.¹⁰⁸ Although individual investments tend to be small and take place at the settlement level – often connecting city-wide road, water and sanitation networks

to households to improve access to basic services – projects have been scaled to the city and national level in Asia and Africa. The benefits of this approach for maximising the use of available finance and remittance income by coordinating and matching inputs are clear, but the approach also has wider implications for the development of participatory approaches to local delivery.

A participatory approach was used by UN-Habitat in Accra to deliver infrastructure and environment improvements to low-income communities in Jamestown. A partnership was developed between the Accra Metropolitan Assembly (AMA) and the local Ga community to install paving and drainage and construct community facilities. UN-Habitat provided funding, with financial, technical and managerial input from the AMA; the community undertook much of the work.¹⁰⁹ These forms of dispersed delivery can be extended to contribute to other infrastructure initiatives that improve service access to low-income communities or help mitigate climate risk. They provide participative frameworks to share the costs and realise the development impact of investment. Examples include network coverage water systems, as used in Kenya¹¹⁰; extension of energy grid coverage to smaller urban areas through the use of solar PV and wind mini-grids; in-situ upgrading of settlements; and community-led or municipal-level climate change adaptation efforts.¹¹¹

4.3 OPPORTUNITIES AND CHALLENGES OF LAND VALUE CAPTURE

Land value capture refers to a suite of instruments that allow the state to obtain or leverage a proportion of the rising value of land. It includes forms of taxation collected through the planning system (such as tax increment financing and betterment levies); financial contributions made by developers (such as impact fees); and development-based financing (such as joint construction of public infrastructure or tradable development rights).¹¹² Land value capture is attractive not only because it can generate significant public revenue, but also because it can ensure that property owners and developers who profit from urban development contribute to the costs of public service infrastructure. As land values are higher when land is used more intensively, it also creates an incentive for governments to promote compact, connected and efficient urban development. This in turn supports longer-term economic development in a more resource-efficient way. For local governments, for whom land is the principal fixed asset, integrating spatial planning and financial tools can yield several economic and social benefits, as land-based revenues are often progressive, when based on property value.

Land value capture in Ghana is complex, because of overlapping and informal patterns of ownership and occupation rights; a lack of developed cadastral records; and the weak capacity of local government to plan, finance and deliver infrastructure. Ghana has three categories of land ownership: public land held in trust by the President; stool lands, which are vested in traditional leaders on behalf of communities; and private and family lands owned by individuals, families or clans.¹¹³ Details of ownership can be confused and contested, making it difficult to allocate tax responsibility or obtain property tax payment. However, improvements to data management and property registration at the local level, with regularisation of informal development linked to more efficient collection arrangements (such as mobile payments), create a platform for a fair property tax or simple land value capture instruments (such as development charges). These mechanisms can, in turn, be the long-term basis for more sophisticated instruments such as transferable development rights.

Existing statutory frameworks, including the Local Governance Act 2016, provide a basis for the imposition of more effective property taxation and other instruments, such as betterment levies. These mechanisms appear largely unused by local governments in Ghana, because of lack of capacity and a political culture that fails to recognise the potential value and importance of land use to fund improvements in urban infrastructure. Local government planning and building control arrangements generate income from application and approval fees and subsequent business operating permits, but they do not impose additional development levies. Fees from planning and building permits are not ring-fenced within local revenue budgets for infrastructure expenditure.

Major towns and cities in Ghana have experienced growing demand for commercial and residential development in line with population increases and the concentration of economic activity in cities. With improved administrative

systems and capacity, this additional demand creates a significant opportunity for national and local governments to generate income that can be used to fund needed capital expenditure. This income is not currently being fully captured. Accra, for example, has seen a boom in commercial development within the central business district, the construction of hotels, as well as many residential blocks in and around the core commercial area of the city. Private investment has also been notable in the creation of major retail malls in Accra, Kumasi and Sekondi-Takoradi, where foreign developers (from China, South Africa and the United Kingdom) have raised debt finance to construct new facilities.¹¹⁴

Within such a buoyant market there is an important opportunity for local government to take an active role in capturing financial value from developments and to secure contributions to infrastructure and wider urban development. Efforts can include the use of planning processes to frame negotiations with private sector developers to obtain contributions to bulk infrastructure beyond the limits of the development scheme. There are multiple examples of infrastructure levies used for this purpose. In Nairobi, for example, the city authority applies a development charge of 0.05% of the property value, with rates varying across different zones of the city.¹¹⁵ Similar approaches have been adopted in England and Wales, where the community infrastructure levy is integrated into the planning approval system to generate capital investment into public infrastructure.¹¹⁶ The levy, calculated on net additional internal floorspace, is ring-fenced for specified infrastructure improvements. The goal is to maximise leverage on public infrastructure expenditure, with private developers contributing to improvements in overall network quality and capacity to the benefit of all urban residents and users.

5. Conclusion and recommendations

Ghana has been successful in delivering sustained economic growth and reducing poverty levels in recent decades. However, the benefits of growth have been unevenly distributed, with growing levels of informality and spatial inequality in cities. While Ghana has experienced large-scale urban population growth and increased commercial investment in urban areas, weaknesses in public sector capacity have prevented the country from reaching its full potential of growth for investment in sustainable infrastructure.

The challenge for Ghana is to maximise the full potential of its people and cities to achieve long-term development in an environmentally sustainable way. Ghana has many advantages, with rich natural resources and a relatively stable political environment. This strong foundation needs to be fully exploited at both national and local levels by maintaining a macroeconomic performance, enhancing domestic resource mobilisation and engaging in more strategic efforts to raise and steer private investment into cities. All of these efforts must be achieved against the backdrop of global climate change. Conventional, fossil-fueled development pathways are no longer feasible; governments must increasingly emphasise resilience to emerging climate threats.

Ghana has a strong constitutional commitment to decentralisation, but in many respects the national government behaves in a highly centralised way. Even in the largest cities, the municipal authorities have little scope to craft or deliver a long-term vision. Achieving the high ambitions Ghana has set for itself will require the relationship between the central and local governments to mature, with greater fiscal autonomy and capacity at the local level accompanied by greater accountability to both citizens and the national government. The central government must embrace its responsibility to build capabilities at the subnational level and recognise city governments as important partners in delivering national development.

At the national level, existing structures and systems can be exploited more effectively to generate additional revenue or adapted to contribute to the national programme of infrastructure investment. Ghana must create opportunities for prudential borrowing that do not derail macroeconomic stability; build partnerships that extend across the boundaries of the public, private and community sectors to underpin local investment; and capture the value of rising land and property prices so that businesses and individuals contribute their fair share of public infrastructure.

In reforming fiscal and institutional systems and devising new arrangements for delivery of infrastructure programmes, Ghana can nurture faster, fairer urban development in a way that simultaneously mitigates climate risks. Doing so demands investment in sustainable urban infrastructure, which in turn depends on a strong fiscal architecture and an efficient public administration system. Progress cannot be realised through one-off actions; policy-makers must build a culture of performance and accountability across all tiers of government. Doing so will require a coherent, far-sighted approach to urban finance that is grounded in a meaningful partnership between the central and municipal governments and engages private and community sectors as stakeholders and funders of transformed cities. Over time, such an approach can help overcome political economy barriers, increase fiscal depth, and build the public organisational capacity necessary to raise and steer finance at scale.

Table 5.1

Actions for strengthening political economy arrangements, increasing fiscal depth and improving public organisational capacity in Ghana

Goal	Action
Strengthening political economy arrangements	
Elect mayors	<ul style="list-style-type: none"> Finalise passage of constitutional amendment to allow for direct election of mayors and all assembly members.
Revise statutory frameworks	<ul style="list-style-type: none"> Ensure that decision-making and finance regulations applying to local authorities enable local leadership and accountability on development issues.
Improve the effectiveness of the DACF	<ul style="list-style-type: none"> Review the use of the DACF as a national strategic fund to support major infrastructure investment and borrowing.
Increase local accountability	<ul style="list-style-type: none"> Direct local authorities to publish local development and investment frameworks and identify opportunities for cross-boundary planning.
Increase fiscal depth	
Implement revenue software nationally	<ul style="list-style-type: none"> Fully implement the requirement that all MMDAs have and use financial management software.
Improve collection of property taxes	<ul style="list-style-type: none"> Use improved information to set income targets. Pilot implementation of a “beneficial tax model” based on occupancy rather than ownership. Improve the tools available to municipal authorities to capture contributions from development schemes towards infrastructure costs.
Goal	Action
Localise income tax collection for workers in the informal sector	<ul style="list-style-type: none"> Use license information to construct a database of informal sector traders. Launch local initiatives to encourage and support formalisation of informal businesses. Devolve responsibility for collection of local taxes from traders to local government.
Improve revenue take from VAT	<ul style="list-style-type: none"> Narrow exemptions for VAT. Review impact of exemptions on low-income households.

Table 5.1

Actions for strengthening political economy arrangements, increasing fiscal depth and improving public organisational capacity in Ghana (cont.)

Improve public organisational capacity	
Improve the accuracy of information on property and business license payers	<ul style="list-style-type: none"> • Fully implement street naming and geographic information services (GIS) across all MMDAs. • Establish legal responsibility for MMDAs to collect and maintain accurate local databases. • Implement national commitment to simplify and devolve valuation processes to MMDAs.
Increase levels of internally generated funds, by reducing high marginal costs of collection	<ul style="list-style-type: none"> • Directly employ collection staff and manage their performance. • Partly devolve valuation arrangements to MMDAs to build capacity and improve the speed of valuation in line with market conditions.
Reduce theft and misreporting of property tax and business license collection	<ul style="list-style-type: none"> • Significantly increase the use of bank payments and electronic payments to remove opportunity for theft. • Build a culture of responsive payment through education and participation in local decision-making.
Match financing arrangements with political accountability	<ul style="list-style-type: none"> • Revise statutes linked to the direct election of mayors, to increase local decision-making and accountability to local electorate. • Increase municipal freedom to set rates for statutory charges to relate to local development goals.
Localise staffing budgets and management	<ul style="list-style-type: none"> • Transfer staffing and budget responsibility for MMDA core staff from the central government to local authorities.

ACRONYMS

DACF	District Assemblies Common Fund
DFID	Department for International Development
GDP	gross domestic product
GIIF	Ghana Infrastructure Investment Fund
IFS	Ghana Institute for Fiscal Studies
IGF	internally generated funds
MMDAs	Metropolitan, Municipal and District Assemblies
PPP	public-private partnership
SDG	Sustainable Development Goals

ENDNOTES

- 1 In January 2017, the president of Ghana announced a policy to reduce dependency on external assistance by prudently using Ghana's natural resources to resource economic and social development. See <http://www.ghana.gov.gh/index.php/media-center/features/4437-ghana-beyond-aid-61-one-years-after-independence>.
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ABOUT THE COALITION FOR URBAN TRANSITIONS

The Coalition for Urban Transitions – launched in 2016 at the Climate Leaders’ Summit in New York – is a major new international initiative to support decision makers to unlock the power of cities for enhanced national economic, social, and environmental performance, including reducing the risk of climate change. The Coalition provides an independent, evidence based approach for thinking about ‘well managed’ urban transitions to ensure that the growth of urban areas, and the accompanying process of economic, social, and environmental transformation, maximises benefits for people and the planet.

The initiative is jointly managed by the **C40 Cities Climate Leadership Group (C40)** and **World Resources Institute (WRI) Ross Center for Sustainable Cities**.

Members include over 20 major institutions spanning five continents, including research institutions, city networks, international organizations, infrastructure providers, and strategic advisory companies. The initiative will be overseen by a Global Urban Leadership Group to steer and champion the work.

Follow the Coalition's work at www.coalitionforurbantransitions.org on LinkedIn, on Twitter @NCEcities and Facebook @coalitionforurbantransitions.

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