**Country Name:**
Ghana

**WB Project Involved: Name of Project and Project Code:**
Community-Based Rural Development Project ([P081482/P111117](#))
Local Government Capacity Support Project ([P122692](#))

**Name and Date of Legislation/Policy:**
- **The 1992 Fourth Republican Constitution** (January 1993)
- **Local Government Act, 1993 (Act 462)** (December 1993)
- **District Assemblies Common Fund Act, 1993 (Act 455)** (July 1993)
- **Local Government Service Act, 2003 (Act 656)** (December 2003)
- **Local Government Instrument, 2009 (Legislative Instrument 1961)** (February 2010)
- Intergovernmental Fiscal Framework (February 2014) – This document is not available online.
- **Intergovernmental Fiscal Framework Action Plan** (February 2014)

**Description of Legislation/Policy:**
Over the past 25 years, Ghana has been implementing comprehensive decentralization reforms as part of its development strategy. The 1992 Constitution of Ghana made decentralization mandatory and ensured a decentralized local government system. The Constitution tasked the Parliament to enact appropriate laws to ensure that functions, powers, responsibilities and resources are at all times transferred from central to local government authorities in a coordinated manner. In 1993, the Local Government Act, 1993 provided a legal framework for operationalizing the constitutional provisions. The Local Government Act, 1993 replaced the Local Government Act, 1988, which originally established the local government system by creating the local authorities known as metropolitan, municipal and district assemblies (MMDAs). Under the Local Government Act, 1993, MMDAs were assigned with legislative and executive functions to be the pivot of administration and developmental planning and decision-making at the local level.
Other legislations have been gradually rolled out to deepen the range, scope and process of decentralization and local governance. Some key legislations include:

- **District Assemblies Common Fund Act, 1993**: As the Constitution mandated the Parliament to annually allocate no less than 5% of the total revenue of the central government to the MMDAs to fulfill their responsibilities, this law developed the structure, responsibilities and operations of the DACF;
- **Local Government (Urban, Zonal and Town Councils and Unit Committees) Establishment Instrument, 1994**: It established the Town and Area Councils, replacing the Town and Village Committees which hitherto had the responsibility of community/village development;
- **National Development Planning (System) Act, 1994**: It defined the decentralized development planning functions;
- **Local Government Service Act, 2003**: It introduced a separation between the Civil Service, which represents personnel of central government agencies, and the Local Government Service, which represents personnel rendering services at the MMDAs.

In recent years, the Government has undertaken a series of important steps to reinvigorate its planned decentralization of functions and resources to local governments. In 2010, a new Decentralization Policy Framework and Action Plan were adopted. The Policy Framework clarifies the meanings of decentralization at different levels of governance. The national level involves ministerial restructuring and restriction of functions to policy making, planning evaluation and monitoring. At the regional level, the departments operate as extensions of national level Ministries, Departments and Agencies (MDAs) and coordinate and harmonize the plans and programs of the MMDAs. At the district level, MMDAs are empowered as legislative, administrative, development planning, budgeting, rating and service delivery authorities. At the sub-national level, powers and functions are delegated to sub-district structures (sub-metropolitan district councils, urban/zonal/town/area councils and unit committees) from the MMDAs but without actual responsibilities.

The Decentralization Policy Framework envisions that decentralized participatory planning should have the active involvement of the sub-district structures, the communities, the chiefs and traditional authorities, CSOs/CBOs/NGOs and other interest groups making inputs into the draft district development plan. This process will lead to a participatory budgeting framework in which people decide with the local authorities the priorities of the district development plan and resource allocations for the programs and projects in the plan. The accompanying National Decentralization Action Plan (NDAP; 2010-2014) lays out priority action areas, including public participation, social accountability, and the involvement of non-state actors in local governance.

In addition, the Government of Ghana passed the Local Government Instrument, 2009 (Legislative Instrument 1961) in 2010 to enhance administrative decentralization, which is one of the major pillars in the Decentralization Policy Framework. This legislation provides for administrative decentralization and allocates functions and human resources from central agencies (Civil Service) to MMDAs (Local Government Service) because the service delivery at the district level requires adequate human resources and sustained capacity. The Government has also established the District Development Facility (DDF) that offers performance-based grants to eligible local governments.

Lastly, in 2014, the Ministry of Finance and the Ministry of Local Government and Rural Development have developed the Intergovernmental Fiscal Framework (IGFF) and its Action Plan that supports the fiscal policy components in the Decentralization Policy Framework. Building on the fiscal decentralization reforms identified in the 2008 IGFF, the new IGFF outlines the fiscal decentralization vision and strategies that are necessary to empower, enable and facilitate District Assemblies to
assume their mandated role and their responsibilities for enhanced governance and improved service delivery. It covers the assignment of expenditure and revenue functions across levels of government, the design and implementation of intergovernmental transfers and the structure of local government borrowing.

**Background of CDD Project(s) involvement in Legislation/Policy. Type of TA provided:**
The CDD/community-based projects are contributing to strengthening the capacity of national agencies and local governments to operationalize Ghana’s decentralization policy and related legal frameworks.

The **Community-Based Rural Development Project (CBRDP)** supported operationalization of the Decentralization Policy Framework and coordinated with other development partners to assure synergy for the country’s decentralization effort. The CBRDP was designed initially as an umbrella project that brings together all rural projects financed by the World Bank. It intended to be used as a vehicle to influence legal and policy changes for decentralization and local governance. The project followed the decentralization strategy and supported the operational mechanisms by strengthening the capacities of the national and regional planning coordination units, MMDAs, and Area Councils to play their respective roles as enshrined in the Local Government Act, 1993. At the community level, the project was instrumental in building capacity in targeted local community institutions, such as the Unit Committees, School Management Committees, and Community Water and Sanitation Committees.

For urban development and governance, the **Local Government Capacity Support Project (LGCSP)** assists the Government to strengthen the intergovernmental fiscal framework and public financial management and to improve social accountability and citizen engagement with urban assemblies. The LGCSP supports the development of intergovernmental fiscal policy and implementation strategies in the key areas of local government financial management, such as budgeting, reporting and auditing, revenue and asset management, and social accountability. To strengthen local public financial management and accountability for improved infrastructure and services in urban assemblies, the project also provides support in setting up a performance-based Urban Development Grant (UDG). The UDG builds on the existing District Development Facility (DDF), a performance grant open to all 170 MMDAs. To meet social accountability and public participation (citizen engagement) objectives laid out in the Decentralization Policy Framework and Action Plan, the project facilitates community-level public expenditure and financial accountability groups (social audit approach) and also supports initiatives designed to increase civil society’s knowledge of and engagement on local government public financial management.

**Background Documents:**
- Email exchanges with Charles Annor-Frempong, Senior Rural Development Specialist, World Bank and Jonas Ingemann Parby, Urban Specialist, World Bank and

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