

Funding Mechanisms, Decentralisation and Urban Observatory

GHANA

URBAN DEVELOPMENT TECHNICAL FACILITY (UDTF)

#GLOBALGATEWAY

AUGUST 2025

Project rationale

As part of the EU-Ghana partnership for Sustainable Cities, under the Joint Programming Ghana 2021-2027, the EU supports the Government of Ghana (GoG) in addressing the need for improved institutional coordination, capacity building and data collection through the provision of technical assistance and the establishment of an Urban Observatory, for a more sustainable inclusive development of cities.

The EUD in Ghana sought assistance from the UDTF to analyse the decentralisation process through the:

- assessment of resources and data accessible to city governments to enhance their financial and management capacities for improved municipal service provision;
- proposal of scenarios for establishing an Urban Observatory;
- provision of recommendations for strengthening urban governance, including accountability and enhancing municipal service delivery.

Background

Although the Government of Ghana considered the decentralisation reform a flagship programme aimed at providing sufficient financial level of autonomy to the Metropolitan, Municipal, and District Assemblies (MMDAs), fiscal decentralisation remains limited at the local level, and MMDAs' budgets depend heavily on transfers from the central government.

There is also a widespread absence of reliable and disaggregated data to support evidence-based planning and monitor service delivery performance, which further limits the MMDAs' capacity to respond effectively to local needs and undermines accountability mechanisms.

Furthermore, the unplanned spatial expansion of urban and metropolitan areas, along with their limited integration within and across Ghana's regions, has created significant challenges, requiring the development of comprehensive tools to monitor, analyse, and manage urban growth. Although various planning initiatives have aimed to develop an integrated legislative planning framework involving ministries, MMDAs, and international organisations, as well as to elaborate and coordinate planning tools at multiple levels, their success has been limited.

Findings and recommendations

Several challenges have been identified during the assessment, framed in the following areas:

- **Decentralisation for effective urban service delivery**
- **Monitoring urban service levels**
- **Funding of local authorities**

THEMATIC AREAS:

- **Decentralisation**
- **Urban Finance**
- **Urban Basic Services**



FUNDED BY:

European Union



KEY STAKEHOLDERS:

Ministry of Local Government

Decentralisation and Rural Development (MLGDRD)

Metropolitan, Municipal and District Assemblies (MMDAs) in Ghana



TOTAL BUDGET OF THE PROGRAMME SUPPORTED BY UDTF:

EUR 15 million (100% EU-funded)



DURATION OF THE UDTF ASSIGNMENT:

June 2023 - January 2024



PROJECT REGION:

Ghana



Above: Map of Ghana

■ Decentralisation for effective urban service delivery

GoG has shifted to a more centralised approach, utilising specialist service delivery authorities and agencies with a more corporatised structure and operational and fiscal autonomy. These bodies are responsible for delivery through their operations at the regional and district levels, thereby reducing the role of metropolitan and municipal authorities.

This complexity, with multiple agencies involved, leads to gaps in infrastructure and municipal service, including water supply, sanitation, solid waste, drainage, roads, and urban mobility. Key challenges include:

- unclear functional assignments and overlapping roles;
- fragmented local governments and a corresponding proliferation of new MMDAs;
- weak enforcement and accountability. All of this is exacerbated by severe resource constraints in capacity, technology, and finances.

Recommendations: Deepening the decentralisation of urban service delivery requires wider policy reform. Even within the current centralised delivery model, there is potential to strengthen MMDA's roles in accountability, transparency and oversight of services delivered by national agencies/ utilities. Enhancing their involvement in planning and prioritising investments can help address critical service gaps.

The assignment provided policy and institutional recommendations to complement the EU's planned investments in waste management, water supply, mobility, and drainage at the MMDA level while deepening decentralisation and improving the delivery of priority urban services.

■ Monitoring urban service levels

Urbanisation in Ghana has increased demand for infrastructure and services, straining municipal service delivery. Whilst these challenges are reflected in Ghana's Urban Policy, there is a need to monitor urban service levels against benchmarks to identify critical gaps through data-driven evidence for more informed urban planning and investment prioritisation.

Recommendations: Building an Urban Observatory would address data and information gaps, informing urban planning and investment prioritisation at city, regional and national level. Existing platforms, such as the District Development Data Platform (DDDP), under the Ministry of Local Government, Decentralisation and Rural Development (MLGDRD); the Land Use Planning and Management Information System (LUPMIS), developed with World Bank funded support, and the National Monitoring and Evaluation System (NaMEIS), are relevant but incomplete.

The UDTF team develop a proposal for implementation of an Urban Observatory structured around 4 pillars:

- Service level indicators,
- Climate resilience, and
- Integrated spatial planning,
- Urban research

Additionally, UDTF suggested the necessary institutional arrangements and the stakeholder roles for its successful implementation.

■ Funding of local authorities

Municipalities in Ghana are inadequately financed, with local governments operating in a fiscally constrained environment.

Recommendations:

National Level Fiscal Transfers: Transition the inter-governmental fiscal transfer system for the District Assemblies Common Fund (DACF) to a transparent, rules-based, predictable, and stable transfer system with limited attached conditionalities.

Monitoring and accountability:

Adopt frameworks to enhance the effectiveness of fiscal decentralisation, alongside policies to institutionalise structured financial planning and sustainable utility service provision for priority sectors, such as water supply and waste management.

Public Financial Management:

Improving existing public financial management systems is fundamental to such policy focus on municipal creditworthiness and funding capacity of local governments.

O&M and Asset Management:

Integrate operations and maintenance (O&M) planning systems with asset management systems that consider asset condition and performance to assess the preventive maintenance requirements.

The assignment also identified various existing mechanisms for channelling EU funds to MMDAs, such as the DACF-RFG or the Ghana Sanitation Fund. However, to prevent funding reliance and budget substitution, EU funding mechanisms should simultaneously address some of the underlying policy and operational constraints that impact the broader fiscal devolution framework in Ghana.

Lessons learned

The experience in Ghana highlights persistent challenges in the technical and financial capacity of local governments to plan, develop, and manage infrastructure and basic services. Issues such as limited fiscal decentralisation, underfinanced municipalities, weak coordination between national and local authorities, and the lack of reliable data for decision-making continue to undermine effective service delivery. These lessons point to the need for stronger institutional frameworks, improved resource allocation, and enhanced support for local governments to more effectively fulfil their mandates.

Improved inter-administrative coordination is key to effective public service management.

Instruments such as an Urban Observatory, involving all relevant administrations, could create a space for dialogue and data sharing, crucial for addressing these challenges.

Implementation of performance-based transfer systems can increase efficiency in resource allocation to local governments

Mechanisms should be established to channel resources from the central government, prioritising those public administrations that have demonstrated their capacity to implement infrastructures and services effectively. Implementing performance-based transfer systems can further facilitate this process.

Use of real data for planning ensures better design, operation and resource allocation of services

Systems should be established to collect real data on public service needs and operations. These data can then be used to plan necessary investments, design new services, and develop a billing system based on service usage. Consistent data should be used by different administrations when involved in various stages of service provision.