

**G U F 2020**  
**FINANCING URBAN DEVELOPMENT THROUGH INNOVATIVE DEVELOPMENT FINANCING**  
**INSTUMENTS WITH A FOCUS ON DOMESTIC FINANCING – Johnson Alifo**

**1.0 INTRODUCTION : Saying it as it is**

Ghanaian local authorities – Metropolitan, Municipal and District Assemblies are undergoing a financial crisis which is beginning to reflect on national development. Most if not all our decisive local authorities (MMDAs) are presently insolvent and only very few of them are able to meet their obligations to their communities and their citizenry. Revenues from their own sources are normally not sufficient to meet the high expenditures required to address the demands of rapidly expanding communities. The MMDAs are largely not able to invest in new infrastructure, provide additional services or maintain existing facilities adequately. The results are the deteriorating standards of drain construction and maintenance, garbage collection and disposal, poor supply of educational infrastructure in our public schools among others.

**2.0 THE LEGISLATION : The quest for decentralization under the principle of ‘ultra vires’**

Local government is a political institution. It is created by legislation for the administration and development of local communities acting through MMDAs whose members are partly elected and partly appointed. The **1992 Constitution** provides in **Article 240** that “Ghana shall as far as practicable be decentralized”. The decentralization system thus:

- devolves administrative authority to the district level;
- fuses governmental activity in any given district into one administrative unit through the processes of institutional re-alignment, manpower absorption, composite budgeting and the provision of funds for decentralized services;
- divest the centre of implementation responsibilities; and
- assigns functions and responsibilities to the various levels of government.

The functions of the district assembly ordinarily derive from legislation, presently; The **Local Governance Act (2016) Act 936**. The legislation is essentially a mix of required duties and permitted powers carried out under a degree of control by central government. The local administrations that have been set up are diverse in their size and scope. At one extreme we have the **Metropolitan Assembly** that delivers services and focuses attention to the development of a great urban

population. At the other extreme we have the **District Assembly** that delivers services to remote and scattered villages. Between these two is the **Municipal Assembly**, which may have characteristics of both urban and rural areas but not to the extent to be classified as either of the two extreme bodies. In effect therefore, we shall be dealing basically with the Metropolitan and Municipal Assemblies in the main. Again, the gross disparities in the size and scope produces differences in the quality of management to the detriment of the smaller municipalities. To these dangers facing MMDAs as proficient agencies for action, must be added yet another one, one of prime importance – the **Financial Management** function of the MMDAs. That added danger is the ability of MMDAs to raise the revenues they need to finance their affairs. Their access to sources of revenue is controlled by legislation.

### 3.0 **FINANCIAL MANAGEMENT IN THE MMDAs : To know and not to do is really not to know**

Financial Management in any of our decisive local authorities consists of a number of processes. The table below sets out the processes which typically relate to MMDAs.

<b>Process</b>	<b>Description</b>
Budgeting	Determining the income and capital required to finance the expenditure planned by preparing detailed budgets.
Safeguarding	Implementing controls to ensure that the income, capital and assets such as money, vehicles, office equipment etc. are safeguarded against improper use, loss or theft.
Monitoring	Monitoring actual results and performance against those budgeted through management reporting.
Accountability (Financial Reporting)	Reporting to all stakeholders by preparing monthly financials of revenue, expenditure and accounts. Preparation and submission of Annual Statement of Accounts to the Auditor-General for the purpose of audit.

It is the central government which determines the sources of MMDAs revenues and controls for the most part the scales of those revenues.

It is customary for an MMDA to introduce/amend its scales of charges and fees and its licences and taxes by means of Fee Fixing Resolution and it is equally for these resolutions to be subject to central control exercised by the Minister through the issuance of guidelines.

Having the power to determine and control the sources of local revenues, there falls upon the Minister, an obligation to ensure the regular review of “ceiling” regulations to keep them in line with changing conditions.

#### **4.0 THE REVENUE MOBILIZATION ARCHITECTURE : Is a New Blue-Print needed?**

We are here concerned with raising local revenues – IGF – Internally Generated Fund. IGF mobilization is done either by voluntary payment by local tax-payers or MMDAs staff and private revenue collection firms on commission.

The statutory functions assigned to these functionaries can be found in **Section 161 (3)** of Local Governance Act (2016) Act 936 which states “a rate collector shall :

- (a) furnish the District Assembly concerned with a written nominal role of every rateable person in the area in respect of which the rate collector has been authorized to collect rates;
- (b) collect and receive rates payable from each person liable for the payment of rates in the area;
- (c) pay the amounts collected to the District Assembly concerned; and
- (d) report any person who has failed to pay the amount due to the District Assembly concerned.

The logical question to ask is: Are these mandatory functions being performed? Secondly are these functions being seen to be performed?

I also believe that, the time has come for our local government authorities to set in motion the required machinery to consummate the responsibility assigned to the lower tiers in the local government structure (Sub-Metropolitan District Councils, Zonal/Town Councils and Unit Committees)” to assist (LI 1967) Local Government (Urban Zonal and Town Councils and Unit Committees (Establishment) Instrument (2010). It is sad, but true that we have by and large developed a functional blindness to the root cause of our financial problem which we must address.

## 5.0 MUNICIPAL BONDS : Are we ready this time?

There are powerful forces in the Ghanaian body-politics in favour of the introduction of Municipal Bonds in the local government revenue mix in the country.

The arguments against its introduction during the third and fourth parliaments of the 4<sup>th</sup> Republic are as valid today as they were then. MMDAs have weak Balance Sheets, their accounting records are rendered on cash instead of accrued basis, and the issues of accuracy and clarity are in need of rationalization in the scheme of things.

## 6.0 THE LAST WORD

This paper is not meant to be the last word on this subject. No one should have the last word on a subject as vital as local government finance. We need to continually explore the issue, discussing the many sides to mobilizing local revenues to finance development of needed urban facilities and the provision of municipal services. Many of us share a vision of our MMDAs, building solvent administrations capable of investing in infrastructure, providing urban services and maintaining municipal facilities adequately for the benefit of our communities and citizenry.

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