

**STRENGTHENING
FISCAL
DECENTRALISATION
FOR AN ECONOMIC
RESET IN GHANA**

BY

THE EXECUTIVE SECRETARY

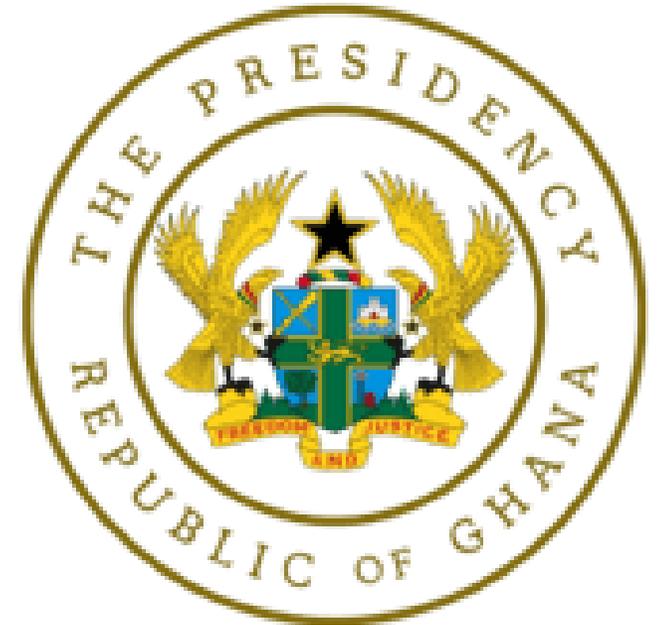


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Introduction

- The importance of well positioned fiscal decentralization in the efficient and effective public service delivery, transparency and accountability in the local governments operations cannot be emphasized.
- The role of an effective internal audit in strengthening fiscal decentralization will be to enhance accountability and transparency tenet of fiscal decentralization. The internal audit among others is expected to advise on risk management, provide an unbiased and objective opinion on the financial operations of the subnational government
- Compliance of the internal audit opinion is expected to lead adherence to the fiscal decentralization rules, including but not limited to budgetary compliance, reduce financial irregularities, fraud and corruption in the financial operations of the subnational level government
- In the case of Ghana various studies have shown that though Ghana has made some progress in the implementation of its fiscal decentralization policy, a lot more needs to be done to strengthen the policy formulation and implementation and the role of the internal audit is critical.

SETTING THE CONTEXT: DECENTRALISATION AND THE ECONOMIC RESET

- Over the past three decades, Ghana has made commendable progress in decentralisation. The 1992 Constitution laid a strong foundation by mandating a democratic local government system to enhance participation and service delivery. Despite these gains, fiscal decentralisation remains the weakest link.
- Metropolitan, Municipal and District Assemblies (MMDAs) still depend heavily on central transfers, with limited financial autonomy to plan and execute local development.
- For Ghana's economic reset to succeed, fiscal decentralisation must be strengthened to empower local economies, boost productivity, and build fiscal resilience from the ground up.

UNDERSTANDING FISCAL DECENTRALISATION

- Fiscal decentralisation has three interrelated dimensions:
- **Revenue assignment** – enabling local governments to raise and manage internal revenues.
- **Expenditure autonomy** – granting authority to plan and spend based on local priorities.
- **Intergovernmental fiscal transfers** – ensuring equity in resource distribution.
- When these elements work together, local governments become efficient, accountable, and responsive. Weakness in any of them centralises power and undermines service delivery.

THE LEGAL AND REGULATORY FRAMEWORK

- Ghana's decentralisation system is rooted in strong legal instruments:
- **1992 Constitution** (Articles 240–256) – mandates decentralisation and fiscal transfers
- Article 252 specifically provides for the establishment of the District Assemblies Common Fund (DACF), requiring that at least five percent of total national revenue be allocated annually to MMDAs to support development at the subnational level.
- **Local Governance Act, 2016 (Act 936)**, consolidates and updates laws relating to local government administration, finance, and accountability.
- The Act empowers Assemblies to prepare composite budgets, raise revenue from approved local sources.

THE LEGAL AND REGULATORY FRAMEWORK CONT...

- It further provides the administrative and regulatory mechanisms for the management and disbursement of the DACF
- **Public Financial Management Act, 2016 (Act 921)** and its Regulations (L.I. 2378) – set out the principles of prudent financial management and accountability across all levels of government.
- The **Public Procurement Act, 2003 (Act 663)**, as amended, establishes principles to ensure value for money in the public procurement process
- The **Internal Audit Agency Act, 2003 (Act 658)** provides quality assurance for internal audit activities within MDAs and MMDAs to ensure the effective management of resources and the promotion of good governance.
- Together with the **NDPS** and **IGFF**, these instruments provide a comprehensive framework for an effective fiscal decentralisation regime.

PROGRESS AND PERSISTENT CHALLENGES

While progress has been made through the Intergovernmental Fiscal Framework, key challenges persist:

- At-source deductions erode local fiscal autonomy.
- Financial irregularities at the MMDA level are increasing, undermining credibility.
- Unpredictable and delayed DACF releases constrain local planning and development.
- To reverse these trends, fiscal transfers must be timely, predictable, and directly channeled to Assemblies with stronger internal controls and audits.

DACF DISBURSEMENT TRENDS (2021-2024)

Year	DACF Amount (GH¢)	Net to MMDAs (GH¢)	% Transferred	Irregularities (GH¢)	% of Transfers
2021	511,002,936.02	389,574,517.40	76.2	66,130,366.12	16.98
2022	370,000,000.00	261,786,600.00	70.8	53,636,715.87	20.49
2023	510,000,000.00	336,433,350.00	65.9	49,653,295.18	14.76
2024	520,000,000.00	363,873,900.00	69.9	205,926,921.99	56.59

KEY OBSERVATIONS

- Less than **70%** of DACF funds reached MMDAs due to deductions.
- Financial irregularities more than tripled between 2021 and 2024.
- Weak internal audit and inconsistent releases undermine development outcomes.
- Government directive: **at least 80%** of DACF releases to reach MMDAs directly.

FISCAL DECENTRALISATION AS A TOOL FOR ECONOMIC RESET

- Fiscal decentralisation is central to the Economic Reset Agenda.
- Empowered local governments can harness economic potential in agriculture, manufacturing, tourism, and trade.
- Local-level investments stimulate jobs, promote competition, and improve accountability.
- A stronger fiscal decentralisation framework therefore underpins macroeconomic stability, inclusion, and sustainable growth.

THE ROLE OF INTERNAL AUDIT AND ACCOUNTABILITY

- Accountability is the cornerstone of fiscal decentralisation.
- Internal Auditors are the first line of defence against waste and inefficiency.
The Internal Audit Agency must enforce compliance, strengthen controls, and ensure value for money.
- Auditors are partners in governance – not fault-finders – and must be empowered to promote fiscal discipline.

STRATEGIC PATHWAYS FOR REFORM

- **Clarify and cost functions** – ensure funds follow functions.
- **Strengthen local revenue mobilisation** – complete Revenue Departments, expand digital tools (dLRev, GIS).
- **Reform DACF transfer system** – eliminate unauthorised deductions; reward performance.
- **Develop sub-national borrowing framework** – guide responsible MMDA borrowing.
- **Integrate PFM systems** – ensure all MMDAs use GIFMIS.
- **Build capacity and promote participation** – ILGS to train finance officers; citizens to engage in local budgets.

COORDINATION AND INSTITUTIONAL ROLES

- **The Fiscal Decentralisation Oversight Committee and Technical Working Group provide policy coherence.**
- **The IMCCoD Secretariat ensures alignment across fiscal, administrative, and political decentralisation.
Strong coordination prevents policy fragmentation and sustains reform momentum.**

LOOKING AHEAD: LINKING FISCAL DECENTRALISATION TO ECONOMIC RESET

- The success of Ghana's economic reset depends on empowering local governments.
- Predictable transfers, disciplined spending, and local accountability are essential.
- Fiscal decentralisation, when effectively managed, transforms districts into engines of inclusive growth and resilience.

CONCLUSION - A CALL TO COLLECTIVE ACTION

- Fiscal decentralisation is the path to sustainable development and shared prosperity.
- Central government: guarantee predictable transfers and protect DACF.
- Local governments: strengthen revenue and accountability.
- Internal auditors: uphold professionalism and integrity.
- Citizens: demand transparency and value for money.
- Together, we can transform fiscal decentralisation from policy to practice and make every district a centre of opportunity and growth.

THANK YOU

