

## USAID/Ghana Democracy and Governance Strategy Update August 2009

### I. Situation Analysis: Democratic Progress, Governance Challenges

Ghana held its fifth consecutive democratic presidential and parliamentary elections freely and fairly in December 2008. As a result of those elections, in January 2009, John Atta Mills of the National Democratic Congress (NDC) succeeded President John Kufuor of the New Patriotic Party (NPP) without violence, despite the closest electoral margin of victory in African history. With this election, Ghana's two major parties have alternated power, performing respectably both in government and while in opposition. Ghana also has an active civil society and media, an apolitical military, and a well-regarded human rights record. Political stability, supported by social cohesion and tolerance, has provided a favorable environment for economic development. Indeed, the July 2009 visit by President Barack Obama highlighted Ghana's successful political achievements and burnished the country's reputation as a model of good governance and socioeconomic progress in Africa.

Despite such progress, significant governance challenges remain, including weak central and local level governance institutions, power that is centralized and excessively concentrated in the executive, and corruption. On the local level, three interlocking governance challenges are likely to dominate Ghana's immediate future: improving service delivery to citizens; expanding public participation in governance; and managing Ghana's natural resources accountably and transparently. That the regional and local government officials are appointed by the president exacerbates accountability challenges. Although these are nationwide challenges, they play out most starkly in the villages, towns and urban areas where Ghana's people continue to earn an average of just \$2 a day. The Western Region of Ghana – with its existing production of timber, gold and other precious metals, as well as the recent discovery of oil and natural gas off-shore – encapsulates the gap between economic potential and the stark reality of widespread poverty in communities outside of the booming capital, Accra.

In terms of **service delivery**, Ghanaians continue to suffer from a high burden of disease, especially malaria. Access to education has improved, but quality remains poor. Environmental issues, such as deforestation and loss of biodiversity, are also emerging as key areas of concern, particularly in the Western Region and other areas affected by extractive industries. In many areas of the country, rural communities lack adequate road networks, complicating the flow of goods and services and retarding economic growth. Local governments lack the capacity and to some degree the support of central government to optimize systems for the management and collection of user fees, property rates, and other locally generated revenues, which constrains their ability to finance service delivery and quality control activities. In fact, metropolitan, municipal and district assemblies (MMDAs) have only partial responsibility for service delivery. While MMDAs have primary responsibility for feeder roads, water and sanitation, and local

economic development, they cover only a share of the costs associated with key services such as health and education.

## II. The State of Decentralization in Ghana

The 1992 Constitution of Ghana committed the country to pursuing a process of decentralization to encourage economic growth and bring governance closer to the people. Subsequent laws created a multi-tiered structure featuring a set of Metropolitan, Municipal, and District Assemblies (MMDAs), which now number 170 and serve as the primary level of decentralized governance. MMDAs are nominally autonomous entities accountable to the local communities they represent. However, by law and practice, the GoG wields critical political, fiscal, and administrative influence over them.

In the **political** realm, the President of Ghana appoints the chief executive (MMDCE<sup>1</sup> – equivalent to a mayor or city manager in the U.S. context) and 30 % of the members of the district assembly, which performs the legislative and representational function at the MMDA level. The other 70 % of assembly members are elected, but they are barred from holding a political party affiliation.

Similarly, **fiscal** decentralization is a glass half full in Ghana. The GoG provides the vast majority of MMDAs' fiscal resources through the District Assembly Common Fund (DACF). Unlike many of its West African neighbors, these funds actually reach the country's 170 local governments, which is in itself a significant achievement. The DACF has also risen as a percentage of national revenue: from 5% originally to 7.5 % as of 2007. However, MMDAs complain about the late arrival of funds and the fact that many of the funds are earmarked for specific purposes. Some DACF funds are also “taken off the top” to fund GoG or regional priorities without consultation with MMDA officials. For newly created districts, community development funds must be used for local government facility development (office space, residences for DCEs). All these factors limit the district governments' fiscal autonomy and authority, as well as their ability to plan local development activities.

In addition to the DACF, MMDAs can generate their own financial resources – known collectively as Internally Generated Funds (IGF) – in the form of taxes, fees, and a limited range of other revenue-generating activities circumscribed by law. MMDAs have complete authority over how they spend their own IGF. However, in the Western Region, most MMDAs visited by USAID's assessment team lack the capacity to maximize their potential revenue from these sources.

Finally, some development partners and the GoG have launched a performance-based grant system known as the District Development Fund (DDF) to provide supplemental institutional and financial support to the MMDAs. As part of this effort, contributing

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<sup>1</sup> Metropolitan, Municipal, District Chief Executive. For the purposes of this paper, the term DCE, as well as district will be used for the sake of simplicity and imply other local government structures, below the Regional level.

development partners<sup>2</sup> and the GoG have developed a Functional and Organizational Assessment Tool (FOAT) to gauge MMDAs' operational strengths and weaknesses. The FOAT is performed annually in all 170 MMDAs in Ghana, providing a detailed, comparative assessment of their capacity in a variety of priority areas. Well-performing districts receive cash grants to address development priorities identified by local communities and reflected in Annual Development Plans. Poorly performing districts receive specialized capacity building to address identified weaknesses. The FOAT/DDF effort provides both a useful measurement tool and a set of financial incentives to encourage the adoption of management best practices at the district level.

In the **administrative** realm, Parliament approved the Local Government Service Act of 2007, which decreed the creation of an autonomous, nationwide Local Government Service (LGS) under the direct authority of MMDAs and regional governments. However, the separation of the LGS from the national civil service has not yet taken place in reality. MMDAs lack the power to hire, fire, reprimand, or reward the civil servants that support them. Prior to implementation of the LGS, all civil servants working in the MMDAs still report to national-level ministries. The political transition in 2008-09 has further delayed LGS implementation and prolonged the ambiguous status of government employees working at the local level.

To address the need for local capacity building, the GoG created an Institute for Local Government Studies (ILGS) in 1999, with support from the World Bank and the Embassy of the Kingdom of the Netherlands. The ILGS does not receive any government subsidies or support and is an entirely self-sustaining institution. It does receive support from other development partners to achieve its goal of serving as a clearinghouse for training and building the capacity of district-level elected and appointed leaders, as well as civil servants. ILGS has conducted training for newly appointed DCEs and district assembly members across Ghana. MMDA officials in the Western Region reported having received this orientation, but requested further training in specialized subjects. ILGS also recently co-sponsored a conference on decentralization policy, involving current and former government officials, traditional authorities, Ghanaian civil society, and development partners.

In the meantime, the Ghana Health Service, Ghana Education Service and Agriculture service are moving forward with administrative deconcentration: reassigning staff and service responsibilities from the center to the local level while retaining central control. This approach contrasts with the LGS, which implies devolution: transferring authority and responsibility over staffing and services from the central to the local level. These two approaches have not been reconciled, and have resulted in the passage of conflicting legislation, creation of parallel structures, overlapping responsibilities, and general lack of coordination at the MMDA level.

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<sup>2</sup> Currently the Canadian International Development Agency (CIDA), the Danish International Development Agency (Danida), and the German Development Bank (KfW).

### **III. Lessons Learned from Past GJD Programming**

USAID/Ghana's recent GJD program activities include support to the Parliament of Ghana, work with civil society organizations on election observation, and the GAIT II project. Each activity provided lessons that informed the development of the updated strategy.

Ghana Parliamentary Budget and Finance Unit Project: After years of uncertain funding and wavering political commitment from Ghanaian legislators, the Ghana Parliamentary Budget and Finance Unit Project ultimately failed in its aim to create an office within Parliament that would have provided research and objective information to lawmakers on the national budget. The 2008 Elections distracted the attention of Parliamentarians away from all other business – thus, the key audience was not fully engaged in the budget office development process. Also, unforeseen cuts to the USAID/Ghana GJD budget resulted in a reduction in the scope of activities at a critical moment of the project.

Key **lessons learned** include an acknowledgement of the difficulties of working with political institutions (parliament, local governments, as well as ministries, departments and agencies), particularly during elections; the need to maintain modest expectations about USAID/Ghana's GJD funding from year to year; and an awareness of the high degree of partisanship that can reduce trust among elected officials.

Domestic Election Observation: In 2008, USAID supported the training of 4,000 Ghanaian domestic election observers, who represented a coalition of 35 civil society organizations nationwide. A part of the project also supported parallel vote tabulation (PVT) techniques, resulting in a credible checks and balances system during the recent parliamentary and presidential elections. The PVT provided an independent verification of the extremely close presidential election results, bolstering the credibility of the election commission during a tense moment of Ghana's political history.

In terms of **lessons learned**, the domestic observer program demonstrated the value and power of organized and engaged civil society organizations in political processes. In the 2008 elections, civil society successfully conducted its monitoring responsibilities while collaborating and reinforcing the work of the Electoral Commission. The program offers a model to which USAID can aspire in assisting community based organizations in achieving a similar balance with locally elected and appointed officials.

Government Accountability Improves Trust (GAIT) II: GAIT II operated in 25 districts, distributed somewhat randomly across the country, and focused on building effective communication mechanisms between local government and citizen groups through a "working together" approach. GAIT II program activities can be grouped into three categories: supporting democratic local government and decentralization; strengthening civil society; and increasing community advocacy for quality education.

GAIT II built local governments' capacity to solicit and respond to civic input to improve public trust and the spirit of working together. Due to limited GJD funding, the emphasis of GAIT II shifted over time to increasing community ownership of schools and assisting parent-teacher associations (PTAs) and community-level school management committees (SMCs) to make teachers and administrators more accountable. This included support to increase community involvement and contribution to the management and oversight of education quality.

GAIT II facilitated the organization of citizens groups into alliances called Civic Unions (CUs). The CUs serve as platforms for citizen groups to discuss problems, engage local governments constructively, and work together with local governments to come up with innovative ways to resolve local issues. This approach also encouraged horizontal linkages among local government and citizens across districts and within regions to build wider coalitions and address cross-cutting issues.

The key **lessons learned** include:

- The CU model of civic engagement was successful in improving communication among all of the participants, creating greater understanding, collaboration between local government and the citizens. The regular interaction between the groups also increased the efficient use and effectiveness of scarce resources. These experiences demonstrate that encouraging participatory governance can lead to better development outcomes at the district level.
- Furthermore, GAIT II improved service delivery in measurable ways. For example, students at schools supported by the program outperformed those from other schools. This motivated non-GAIT institutions to adopt the GAIT approach of participatory oversight of schools to improve education in their districts.
- However, the geographic dispersion of GAIT II target districts prevented USAID/Ghana from ensuring the replication and sustainability of the program in a strategic, systemic way. This finding implies that a more geographically focused program may lead to greater success in sharing best practices and encouraging sustainable reforms across districts.

#### **IV. Updated GJD Strategic Objective (SO) and Intermediate Results (IRs)**

To respond to these numerous challenges and opportunities, as well as capitalizing on lessons learned, the design team recommends that USAID/Ghana update its overall GJD strategic objective (SO 5 – “Strengthen Democratic Governance through Civic Involvement”) to make capacity building for government officials an explicit part of the objective statement. Thus the new SO title would be:

#### **Strengthen Local Democratic Governance through Capacity Building and Civic Involvement.**

The following intermediate results will contribute to the strategic objective:

**IR 1: Public participation in local governance expanded.** The aim of this IR is to ensure that decisions taken by regional and Metropolitan, Municipal, and District Assembly (MMDA) officials in the Western Region truly reflect local needs and priorities; improve service delivery by strengthening citizen monitoring and feedback; improve the legitimacy and efficiency of government operations; create an environment that would reduce corruption on the local level; deepen democracy at the grassroots level; and provide mechanisms for mitigating potential conflicts. The 2010 local elections will provide a focal point for generating citizen interest and engagement in local development issues. Initial activities in 2010 could also positively impact citizen participation, which has been low for local elections.

**IR 2: Internally generated funding (IGF) of targeted local districts increased.** The aim of this IR is to increase the financial ability of MMDAs in the Western Region to pursue local development priorities identified in consultation with local stakeholders. Greater IGF also provides more resources for monitoring service delivery, which is a key constraint on government effectiveness at the subnational level. In addition, increasing the rate of IGF is a key factor in triggering greater resource transfers from the central government and other development partners.

**IR 3: Comprehensive development planning for local districts achieved.** The aim of this IR is to support communities in the Western Region to prepare for and maximize benefits within their manageable interest and reduce risks associated with the production of oil, gas, and other extractive industries. This IR will build on and feed into the 2010-2014 planning cycle mandated by the GoG for all MMDAs.

In addition to the activities proposed below, the feasibility of a nationwide radio entertainment program promoting citizen involvement in local government will be explored. Contrasting with other illustrative activities, this program will have a national focus, as well as operate as a multi-message ongoing entertainment/ educational program. Through characters recognizable to Ghanaians, the program will advocate and promote greater participation in local government. It will also be possible to address health, education and economic growth issues.

## **V. Cross-Cutting Approaches**

These three IRs are ambitious, achievable, measurable, and attributable to USAID. Furthermore, they provide ample opportunities for the GJD strategic objective to serve as a platform for the many community-based advocacy, monitoring, and organizing activities supported by other sector teams:

- Planning for the impacts of oil and gas exploitation can complement possible future assistance to the GoG to improve extractive industry transparency and right-size popular expectations about the benefits of Ghana's oil "windfall."
- By its nature, community participation can and should involve interest groups such as fishermen's associations and the BUSAC groups supported by the Mission's economic growth activities. If MMDA budget and planning documents

- Similarly, the GAIT II program demonstrates how PTAs and SMCs can play a key role in monitoring the quality of services such as basic education as well as advocating for improvements. Health-oriented interest groups can play similar roles at the district and regional levels.
- By building relationships with local government officials, the program designed to achieve the updated strategic objective will position USAID to facilitate collaboration between these officials and local interest groups. In this way, GJD activities can strengthen existing country systems of governance institutions and processes that will lead to positive outcomes for economic growth, food security, health, HIV/AIDS, and education.

The key to success is collaboration among program managers at USAID/Ghana and their implementers in the Western Region.

Coordination between USAID and Other Development Partners: USAID/Ghana is a relatively minor player in the decentralization arena compared to some of the other development partners, such as CIDA, KfW, AfD, and Danida, which provide the bulk of DDF funding; and the German Agency for Technical Cooperation (GTZ) and German Development Service (DED), which provide technical assistance to GoG and MMDA officials. The DED is preparing a technical assistance program that is projected to include embedded advisors in a limited number of districts. The DED is also considering limited assistance still to be identified to the Regional Coordinating Council of the Western Region

Impacts of Oil and Gas Production: The discovery and exploitation of oil and natural gas presents a set of opportunities and challenges that will undoubtedly have impacts on Ghana's economy, governance, livelihoods, culture, and natural environment.

- We assume that USAID/Ghana can procure an implementation mechanism for the GJD program in time for the proposed comprehensive planning efforts to provide benefits to communities in the Western Region that are likely to bear the brunt of these impacts.
- We assume that the USAID/Ghana Mission will succeed in developing a cross-cutting approach to supporting extractive industries transparency and stakeholder engagement, consistent with U.S. foreign policy interests.
- We assume that this approach will rely in part on GJD technical inputs, mechanisms, and resources.

For these reasons, the updated strategic objective is defined broadly to accommodate the inclusion of the likely *governance-related* aspects of extractive industries transparency related activities, namely capacity building and citizen engagement, should the technical assistance efforts be determined to fall within the purview of the DG strategic objective.

However, USAID/Ghana may need to develop a new intermediate result to encompass these new activities and others that relate to extractive industries for greater resource and programmatic efficiencies.